Redline

FRANCHISE DISCLOSURE DOCUMENT
GELATORO FRANCHISING, LLC
(A California Limited Liability Company)
~~620 North La Brea Avenue~~
~~Inglewood~~7095 Hollywood Boulevard, Suite 1008
Hollywood, California ~~90301~~90028
Telephone: 323-~~447-9198~~770-2626
Email: ~~info~~ismar@stickhousegelato.com
Web site: www.stickhousegelato.com

Gelatoro Franchising, LLC, a California limited liability company, offers franchises for the operation of Stickhouse Shops ("**Stickhouse Shops**") that offer handmade ice cream on a stick, cold and hot beverages, sweets, chocolates, salad delicacies and ancillary related products for on-premises and off-premises consumption.

We offer the ~~right~~rights for 2 different franchise programs in this Disclosure Document.

Single Shop Program: Under the Single Shop Program you will sign a Franchise Agreement to operate a single Stickhouse Shop. The total investment necessary to begin operations of Single Stickhouse Shop will depend upon the type of Stickhouse Shop you will open and operate and ranges from approximately $~~10,850~~12,100 to $~~674~~694,900. This includes ~~$2,500~~ approximately $3,000 to $~~40~~140,000 that must be paid to us.

Area Development Program: Under the Area Development Program, we will assign you a defined area within which you must develop and operate multiple Stickhouse Shops within a specified period of time. The number and type of Stickhouse Shops that you will develop will be determined on a case-by-case basis before you sign your Area Development Agreement. As an example, the total investment necessary to begin operations of a Full Shop under an Area Development Agreement for one Full Shop, one Sales Shop, one Kiosk, one Corner and one Stick Cart ~~under an Area Development Agreement~~ will range from approximately $~~1,123,100~~568,600 to $~~1,531,000~~744,900. This includes ~~$195~~approximately $135,000 to $175,000 that must be paid to us.

This ~~disclosure document~~Disclosure Document summarizes certain terms of your Franchise Agreement and other information in plain English. Read this ~~disclosure document~~Disclosure Document and all accompanying agreements carefully. You must receive this ~~disclosure document~~Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payments 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~~Disclosure 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, please contact Ismar Toromanovic, ~~620 North La Brea Avenue, Inglewood~~7095 Hollywood Boulevard, Suite 1008, Hollywood, California ~~90301~~90028; Telephone: 323-~~447-9198.~~ 770-2626.

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, D.C. 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.

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS ~~FEBRUARY 19, 2016, AS AMENDED ON~~ APRIL ~~26, 2016~~18, 2017.

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 THIS FRANCHISE WITH A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in **Exhibit ~~J~~K** 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 THIS FRANCHISE, 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 AND AREA DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH GELATORO FRANCHISING, LLC, BY MEDIATION AND LITIGATION ONLY IN LOS ANGELES COUNTY, CALIFORNIA. OUT OF STATE MEDIATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE AND LITIGATE WITH GELATORO FRANCHISING, LLC IN CALIFORNIA THAN IN YOUR HOME STATE.

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

3. UNDER THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTEE MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT. THE GUARANTEE WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

4. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS WE CONTROL.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We 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 to do your own investigation of the franchise.

Effective Date: See the next page for State Effective Dates.

STATE EFFECTIVE DATES

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

The 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: ~~March 22, 2016, as amended on May 16, 2016~~ ____________________, 2017

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of ~~February 19, 2016, as amended on April 26, 2016.~~

April 18, 2017

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EXHIBITS

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

Gelatoro Franchising, LLC, a California limited liability company ("**Franchisor**"), was organized on January 7, 2016, and is the Franchisor for Stickhouse Shops in the State of California. Our principal place of business is ~~620 North La Brea Avenue, Inglewood~~7095 Hollywood Boulevard, Suite 1008, Hollywood, California ~~90301~~90028. To simplify the language in this Disclosure Document, "**Franchisor**", "**we**" and "**us**" means Gelatoro Franchising, LLC; "**you**" or "**Franchisee**" means the business entity, person or persons who sign the Franchise Agreement. We began offering franchises on ~~the effective date of this Disclosure Document.~~February 19, 2016. The names and addresses of our agents for service of process appear in **Exhibit ~~J~~K** to this Disclosure Document.

Franchisor's Parent, Predecessor and Affiliates

Our affiliate, Gelatoro, LLC, a California limited liability company ("**Operating Company**"), was organized on December 18, 2013. Our affiliate, Gelatoro Payroll, LLC, a California limited liability company ("**Gelatoro Payroll**"), was organized on June 23, 2016. The Operating Company, with assistance from Gelatoro Payroll, owns and operates a business of the "Full Shop" type being offered in this Disclosure Document located at 223 Broadway, Santa Monica, California 90402, which opened in October 2015. Our affiliate, Gelatoro Vehicles, LLC, a California limited liability company ("**Gelatoro Vehicles**"), was organized on June 23, 2016. Gelatoro Vehicles, with assistance from Gelatoro Payroll, owns and operates a business of the "Stick Truck" type being offered in this Disclosure Document, which services customers in Los Angeles County, California and which began operations in May, 2016. Our affiliate, Gelatoro Production, LLC, a California limited liability company ("**Gelatoro Production**") was organized on June 23, 2016. Gelatoro Production offers gelato ingredients for sale to our franchisees.

Stick House USA, LLC, a Delaware limited liability company ~~(the "~~("**Master Franchisor**") was organized on March 7, 2014 and is the master franchisor of Stickhouse Shops in the United States. The Master Franchisor's parent company, Stick House Company srl ~~(the "~~("**Parent Company**"), is an Italian company headquartered at Strada di Cerchiaia, 41 53100 Siena, Italy. The Parent Company has developed the Stickhouse system ("**Stickhouse System**") for the operation of Stickhouse Shops that offer handmade ice cream on a stick, cold and hot beverages, sweets, chocolates, salad delicacies and ancillary related products for on-premises and off-premises consumption under the trade name "**Stickhouse**" and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Stickhouse Marks**"). The Parent Company owns the Stickhouse Marks and has issued a license to the Master Franchisor to use and sublicense the Stickhouse Marks for the sale of single shop and area development franchises in the United States and for the sale of subfranchises to subfranchisors to operate, sell and service Stickhouse single shop and area development franchisees in specified geographic territories in the United States under the terms of Subfranchise Agreements with the Master Franchisor. The Parent Company is the franchisor of approximately 70 Stickhouse outlets located in several countries worldwide outside of the United States and owns and operates one Stickhouse Shop in Foiano della Chiana – Arezzo - Italy.

We are a subfranchisor of the Master Franchisor. On May 1, 2015, the Operating Company and the Master Franchisor entered into a Subfranchise Agreement under which the Master Franchisor granted the Operating Company (i) the right and obligation to develop, own and operate Stickhouse Shops in the State of California; and (ii) the right and obligation to grant subfranchises to qualified third parties to develop, own and operate Stickhouse Shops in the State of California under individual Franchise Agreements and Area Development Agreements with the Operating Company (the "**Subfranchising Rights**"). On February 15, 2016, the Operating Company assigned the Subfranchising Rights to us with the Master Franchisor's consent.

Stickhouse Shops

In this Disclosure Document, "**Stickhouse Shops**" means and includes each of the following 7 types of Stickhouse Shops: (i) a "**Full Shop**" is a dedicated retail outlet with a production room for Stickhouse handmade ice cream products on a stick (the "**Stickhouse Ice Cream Products**") and on-site storage and sale areas on the premises or connected to the premises; (ii) a "**Sales Shop**" is a dedicated retail outlet with a sales area without a production room; (iii) a "**Kiosk**" is a single, free standing structure, sales-only site without a production room; (iv) a "**Corner**" is a small sales-only display in an existing non-Stickhouse business; (v) a "**Stick Cart**" is a mobile, free standing sales-only unit that you may only operate if you are currently operating a "**Full Shop**," "**Factory**," "**Sales Shop**", or "**Kiosk**"; (vi) a "**Stick Truck**" is a mobile, free standing retail sales-only truck that you may only operate if you are currently operating a "**Full Shop**," "**Factory**," "**Sales Shop**", or "**Kiosk**"; and (vii) a "**Factory**" is a strictly a production facility without a retail sales area in which you will produce the Stickhouse Ice Cream Products for your Stickhouse Shops. If your Stickhouse Shop is a sales-only site without a production room or a Factory, you will purchase your inventory of Stickhouse Ice Cream Products that we or our affiliate will produce in our production facilities following the Parent Company's trade secrets, proprietary recipes, specifications and/or formulas.

We offer 2 separate franchises in this Disclosure Document, although we may not necessarily afford you the opportunity to purchase under either of these programs:

Single Stickhouse Shop Program

Under this program you will sign a Franchise Agreement (**Exhibit A**) with us to operate a Full Shop, a Sales Shop, a Kiosk, a Factory, or a Corner at a fixed location that you choose and that we accept (a "**Franchised Location**") or to operate a Stick Cart or a Stick Truck in a designated geographic area (a "**Designated Territory**") that you choose and we accept.

Area Development Program

Under this program we will assign you a defined area (the "**Development Area**") within which you, as an area developer ("**Area Developer**"), must develop, open and operate a number of Full Shops, Sales Shops, Kiosks, Corners, Stick Carts, Factories, and/or Stick Trucks within a specified period of time. The Development Area may be one city, one or more counties, or some other defined geographic area. You will generally have the opportunity to develop the number and combination of types of Stickhouse Shops that you choose, although we may not always afford you the opportunity to develop the number and combination of types of Stickhouse Shops that you request. You and we will determine the Development Area and the number and type of Stickhouse Shops that you will develop and operate on a case-by-case basis before you sign your Area Development Agreement. You must sign a separate Franchise Agreement for each Stickhouse Shop that you will open under the Area Development Agreement. Before you sign each Franchise Agreement under an Area Development Agreement, you must either locate a fixed site for your Full Shop, Sales Shop, Kiosk or Corner, and we must approve the site, or you and we must choose a Designated Territory for your Stick Cart or Stick Truck. Our then-current standards for Stickhouse Shop Franchised Locations and Designated Territories will apply. The Franchise Agreement for your first Stickhouse Shop will be in the form attached as **Exhibit A** to this Disclosure Document and must be signed when you sign your Area Development Agreement. The Franchise Agreements that you will sign for your additional Stickhouse Shops will be our then current form of Franchise Agreement that we are then offering to new franchisees, which may contain terms and conditions that are materially different from our current Franchise Agreement attached as **Exhibit A** to this Disclosure Document. You will sign our then current form of Franchise Agreement for each Full Shop, Sales Shop, Kiosk or Corner that you will develop after we accept the Franchised Location for each Stickhouse Shop, or after we approve the Designated Territory for your Stick Cart or Stick Truck, as the case may be.

Market and Competition

The market for frozen dessert shops/stores/parlors in general is well developed and intensely competitive. You will serve the general public and will compete with a variety of businesses, including locally owned to regional, national and chain shops, some of which may be franchise systems. We may establish other Stickhouse Shops in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell our proprietary products in your area. We may also sell our proprietary products through use of the Internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers at any location, which may be in your trade area. Our products are somewhat seasonal and sell better in warm weather.

Industry-Specific Regulations

The food service industry is heavily regulated. A wide variety of Federal, state and local laws, rules and regulations have been enacted that may impact the operation of your Stickhouse Shops, and may include those which: (i) establish general standards, zoning, permitting restrictions and requirements and other specifications and requirements for the location, construction, design, maintenance and operation of the Stickhouse Shops premises; (ii) set standards pertaining to employee health and safety; (iii) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for Stickhouse Shops and laws and regulations relating to access by persons with disabilities; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; available of and requirements for public accommodations and requirements for fire safety and general emergency preparedness; (iv) establish requirements for food identification and labeling; and (v) regulate advertisements. In addition, California and other states and local jurisdictions have enacted laws, rules, regulations and ordinances that govern the operation of food trucks. State and local agencies inspect Stickhouse Shops to ensure that they comply with these laws and regulations. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Stickhouse Shops and you should consider both their effect and costs of compliance. Many of the laws, rules and regulations that apply to business generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act, also apply to Stickhouse Shops. The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and Stickhouse Shops sanitary conditions. The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on emissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality. The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in Stickhouse Shops. While NLEA specifies a number of exemptions for Stickhouse Shops, there are many instances where a nutritional label is required. The Food and Drug Administration's *Nutritional Labeling Guide for Stickhouse Shops and Other Retail Establishments* provides answers to commonly asked questions regarding the application of NLEA. The Health Care Reform Bills that became law in March 2010 contain provisions that require disclosure of nutrition and calorie information in chains of more than 20 restaurants. Local county health departments inspect restaurants and other retail food facilities to ensure compliance with safe food handling practices and adequacy of kitchen facilities.

The Payment Card Industry Data Security Standard ("PCI") requires all companies that process, store, or transmit credit or debit card information to maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accepts, transmits or stores any cardholder data.

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

We recommend that you consult with an attorney to determine which laws will be applicable to you and your Shop and for an understanding of these laws.

ITEM 2
BUSINESS EXPERIENCE

Our Business Experience:

Chief Executive Officer——————————————————: Ismar Toromanovic

Ismar Toromanovic has been our Chief Executive Officer since January 7, 2016, the date of our organization. Mr. Toromanovic has been the Chief Executive Officer of I-Rate CA, Inc., a California corporation formed for the purpose of operating a pastry shop, since December 17, 2014. Mr. Toromanovic has been the Chief Executive Officer of the Operating Company since December 18, 2013. -Mr. Toromanovic served in the Risk department of the Royal Bank of Scotland in London, United Kingdom, from November 2012 through November 2013.– Mr. Toromanovic previously served in the Commercial Finance department of the Commonwealth Bank of Australia from 2007 until 2012.

Our Master Franchisor's Business Experience:

Director: Mauro Grassini

Mr. Mauro Grassini has been a Director of the Master Franchisor since March 2014. Mr. Grassini has served as Managing Director for the Parent Company in Siena, Italy, from September 2013 through present. Mr. Grassini served as Director for Stick House Asia located in Siena, Italy, from January 2011 through October 2013.

Director: Daniele Posti

Daniele Posti has been a Director of the Master Franchisor since March 2014. Mr. Posti has served as Managing Director for the Parent Company in Siena, Italy, from September 2013 through present. Mr. Posti served as Director for Stick House Asia located in Siena, Italy, from January 2011 through October 2013.

Manager: Michele Mazzeo

Michele Mazzeo has been a Manager of the Master Franchisor since March 2014. Mr. Mazzeo has served as Manager for the Parent Company in Siena, Italy from November 2013 through the present. Mr. Mazzeo served as Manager for Stick House Asia in Siena, Italy from May 2013 through October 2013. Mr. Mazzeo served as

General Manager for La Rondine Social Cooperative in Siena, Italy from July 2011 through July 2012. Mr. Mazzeo served as General Manager for Il Cardine Social Cooperative in Siena, Italy, from August 2002 through June 2012. Mr. Mazzeo also served as CEO for Nadir Charter, a sailboat rental company located in Colle di Val d'Elsa, Siena, Italy from June 2002 through August 2013.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item

ITEM 5
INITIAL FEES

Initial Franchise Fees for Single Shop Program

You must pay us an initial franchise fee (~~the~~an "**Initial Franchisee Fee**") when you sign your Franchise Agreement (**Exhibit A**). -There is no Initial Franchise Fee for a Factory.- The Initial Franchise Fees are as follows:

Full Shop	$40,000
Sales Shop	$40,000
Stick Truck	$25,000
Kiosk	$40,000
Stick Cart	$7,500
Corner	$2,500

If you are signing a Franchise Agreement with the renewal of an existing franchise, you will pay us a renewal fee in lieu of an Initial Franchise Fee when you sign the renewal Franchise Agreement as provided in your existing Franchise Agreement.

Initial Development Fees and Initial Franchise Fees for Area Development Program

~~You must pay us a development fee (the "**Development Fee**") when~~When you sign your Area Development Agreement (**Exhibit B**~~).~~), you must also sign the Franchise Agreement for the first Stickhouse Shop you will develop under the Area Development Agreement, which must be a Full Shop, and you must pay us the Initial Franchise Fee for the Full Shop. You must also pay us a development fee (a "**Development Fee**") at that time for each additional Stickhouse Shop that you will develop under the Area Development Agreement. There is no Development Fee for a Factory.- The Development Fees are as follows:

Full Shop	$20,000
Sales Shop	$20,000
Stick Truck	$12,500
Kiosk	$20,000
Stick Cart	$3,750
Corner	$1,250

~~You must also sign a separate Franchise Agreement~~ After we accept the proposed Franchised Location for ~~each Stickhouse Shop to be opened~~a Full Shop, Sales Shop, Factory, Corner, or Kiosk that you will develop under ~~the~~your Area Development Agreement~~. You must~~, or after we accept the proposed Designated Territory for a Stick Cart or Stick Truck that you will develop under your Area Development Agreement, you must sign a Franchise Agreement and pay us an Initial Franchisee Fee ~~when you sign each Franchise Agreement.~~ for that Stickhouse Shop. There is no Initial Franchise Fee for a Factory.

The Initial Franchise Fees are as follows:

Full Shop	$40,000
Sales Shop	$40,000
Stick Truck	$25,000
Kiosk	$40,000
Stick Cart	$7,500
Corner	$2,500

However, each ~~such~~ Initial Franchise Fee will be reduced by ~~the amount of~~ a development fee credit~~, and the amount of that credit will be~~ equal to the amount of the Development Fee that you paid when you signed the Area Development Agreement for that Stickhouse Shop. The maximum amount of the development fee credits that may be applied to any Initial Franchise Fee are as follows:

Full Shop	$20,000
Sales Shop	$20,000
Stick Truck	$12,500
Kiosk	$20,000
Stick Cart	$3,750
Corner	$1,250

~~After we accept the proposed Franchised Location for each Full Shop, Sales Shop, Factory, Corner, or Kiosk you will operate and after we deliver our then current Disclosure Document to you, you must sign a Franchise Agreement for your Stickhouse Shop. After we accept your Designated Territory for each Stick Cart or Stick Truck you will operate and after we deliver our then current Disclosure Document to you, you must sign a Franchise Agreement for your Stickhouse Shop.~~

Supplies, Equipment and Furniture

~~You~~If you are purchasing a Full Shop or Factory, which have gelato-production capabilities, you must purchase ~~certain supplies, equipment~~between 2 and ~~furniture~~4 "La Ghiacciola" machines (machines that makes gelato) from us ~~before you open your Stickhouse Shop, the costs for which may range from~~ at a cost of approximately $~~7,750 to $190~~20,000 per ~~Stickhouse Shop.~~ machine.

Initial Inventory of Stickhouse Ice Cream Products and Gelato Ingredients

If your Stickhouse Shop is a sales-only shop without a production room or a Factory, you will purchase your initial inventory of Stickhouse Ice Cream Products from us or our affiliate that we or our affiliate will produce in our production facilities~~, the~~. If your Stickhouse Shop has production capabilities, you will purchase certain proprietary ingredients that are necessary for Stickhouse gelato production from us or our affiliate. The costs for ~~which~~your initial inventory will range from approximately $~~250~~500 to $~~2,500~~20,000 depending upon the type of Stickhouse Shop that you will operate.

Refunds, Different ~~Fee~~Fees and Financing

The Initial Franchise Fee and the Development Fee are fully earned by us when paid and are not refundable under any circumstances. We ~~may~~generally do not reduce, finance, defer or waive the Initial Franchise Fee or the Development Fee ~~if and when~~, but we may do so if and when we determine~~,~~ it is warranted by a unique or compelling situation. ~~We generally do not provide financing for the Initial Franchise Fee or the Development Fee. We may do so if and when we determine, it is warranted by a unique or compelling situation.~~

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You will pay Initial Franchise Fees that may vary based upon the type of Stickhouse Shop that you purchase. In the fiscal year ended December 31, 2016, we received Initial Franchise Fees that ranged from $0 to $40,000. We waived payment of an Initial Franchise Fee on the sale of a Sales Shop to a franchisee with prior proven experience building out a Stickhouse Shop and other café-type businesses. We received $40,000 for a franchisee's purchase of a Full Shop.

ITEM 6
OTHER FEES
(Note 1)

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fees	8% of Gross Sales.	On the first calendar day of each month on the Gross Sales of the Stickhouse Shop during the immediately preceding month.	Gross sales includes all revenue from your Stickhouse Shop operations. Gross Sales do not include the amount of bona fide refunds paid to costumers and the amount of any sales or use taxes actually paid to any governmental authority and the retail price of any coupons, gift certificates and voucher when they are redeemed.
Marketing Fee	We do not currently require you to pay a Marketing Fee. If and when we establish a Marketing Fund, you must contribute up to 2% of Gross Sales as a Marketing Fee.	On the first calendar day of each month on the Gross Sales of the Stickhouse Shop during the immediately preceding month.	We may elect to begin collecting Marketing Fees and to establish a Marketing Fund in the future on 90 days' prior written notice.
Product Purchases from Franchisor	Various	Monthly, bi-monthly, weekly or on COD basis, at our discretion.	You must pay us for products and supplies that you purchase from us.
Late Charge	$200 plus 1-1/2% on the amount outstanding per month, not to exceed the maximum interest rate allowed by law, from the date payment was due until paid in full. **(Note 2)**	Continue to accrue until paid.	Payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or if any sums due to us are not paid promptly when due.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Manual Replacement Fee	$500	On demand	Payable if you misplace the Manuals or fail to return them to us upon demand.
Inspection Fee	$500 plus out of pocket expenses, including transportation, food and lodging.	On demand	Payable if we must revisit your Stickhouse Shop for another inspection after you have already been notified of any deficiency or unsatisfactory condition at your Stickhouse Shop, including quality, cleanliness, service and health.
Insurance	Amount of unpaid premiums and our out of pocket costs.	On demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Transfer Fee (Franchise Agreement and Area Development Agreement)	$10,000	Before transfer	Payable if you transfer/assign your Franchisee Agreement or Area Development Agreement.
Non Cash Payment System	All costs associated with non-cash payment system.	As incurred	You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems we specify to enable customers to purchase authorized products.
Liquidated Damages	An amount equal to twice the total royalty fees paid (or if unpaid, payable) by you during the 12 months immediately preceding the effective date of termination.	Within 30 days following the date of termination.	Payable only if you default and we terminate your Franchise Agreement.
Default Reimbursement	Our costs and expenses from your default.	Within 5 days after you cure your default or on demand if the default is not cured.	Payable only if you default under the Franchise Agreement.
Audit	Cost of audit plus interest at the highest rate allowed by law. **(Note 2)**	On demand	Payable only if audit shows an understatement of 3% or more of Gross Sales.
Interim Management Fee	To be determined, not to exceed $500 per day, plus our	As incurred	If you are in default under the Franchise Agreement, and we elect to assume interim management of your Stickhouse Shop during the pendency of any cure

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
	out of pocket costs, if any.		period or in lieu of immediately terminating your Franchise Agreement, we may charge you a -fee for our management services.
Renewal Fee (Franchise Agreement)	Varies, see remarks.	When you deliver a renewal notice to us for your Franchise Agreement.	This renewal fee will be in lieu of the Initial Franchise Fee payable when you renew your Franchise Agreement, which will be $5,000 for a Full Shop, Sales Shop, or Kiosk, and $2,500 for a Stick Truck. There is no renewal fee for a Factory, Stick Cart, or Corner.
Renewal Fee (Area Development Agreement)	$1,000	When you deliver a renewal notice to us for your Area Development Agreement.	
Gross-Up Fees	Varies with circumstances.	On demand	To ~~insure~~ensure that we receive a full 8% of Gross Sales as a Royalty Fee that is due, you must pay us, whether in arrears, in advance, in a lump sum or in the same manner that you pay us Royalty Fees, the amount of all taxes we must pay on revenue we earn or collect based upon your use of our intellectual property or other intangibles or based upon the existence of the Franchise Agreement.
Sanitation and Food Safety Audits	Cost of the inspection.	On demand	We may, in our sole discretion, contract with a third party to conduct sanitation and food safety audits of your Stickhouse Shop from time to time during the term of your Franchise Agreement, but no less than once per calendar year.
New Product and Supplier Testing	Actual costs of inspection and testing, $1,000 must be paid as deposit.	As incurred with the $1,000 fee paid as a deposit before facility inspection.	If you propose to purchase any goods or materials from a supplier that we have not previously approved, you must submit a written request to us for approval or you must request the supplier itself to do so. We have the right to require, as condition of our approval, that our representatives, are permitted to inspect the supplier's facilities, and that you deliver to us/or to an independent, certified laboratory designated by us, all information, specifications and samples that we

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			designate for testing. You must pay us a fee which will not exceed the actual costs of inspection and testing.
Annual Conference Fee	$500	Upon demand at least 30 days before the date of the Annual Franchise Conference, whether or not you attend the Annual Franchisee Conference.	In the event we hold an Annual Franchise Conference for all Stickhouse Franchisees, you must pay us a Franchise Conference Fee in the amount of $500 to reimburse us for a portion of the direct costs to provide the Annual Franchise Conference.
Relocation Fee	$2,500	When we approve your request to relocate your Stickhouse Shop.	

NOTES:

1. All fees are uniformly imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable. Your fees may vary depending upon the type or types of Stickhouse Shop you operate.

2. Interest begins from the date of the underpayment.

ITEM 7
ESTIMATED INITIAL INVESTMENT
SINGLE STICKHOUSE SHOP

YOUR ESTIMATED INVESTMENT - ONE FULL SHOP

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
BUILD-OUT COSTS					
Utility Deposits, Fees, and Licenses -(**Note 1**)	$1,000	$5,000	Cash	As Incurred	City, County, State
Pre-Construction Costs (Architects, Plans, Permits) (**Note 2**)	$10,000	$25,000	As Arranged	As Incurred	Approved Suppliers
Leasehold/Construction (**Note 3, Note 13**)	$300,000	$350,000	As Arranged	As Incurred	Approved Suppliers
FURNITURE, FIXTURES, EQUIPMENT & SIGNAGE					
Exterior Signage	$3,000	$6,000	As Arranged	As Incurred	Approved

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
					Suppliers
POS System and Software **(Note 4)**	$1,200	$2,400	As Arranged	As Incurred	Approved Suppliers
Furniture, Fixtures and Material Finishes **(Note 5)**	$5,000	$10,000	As Arranged	As Incurred	~~Us and~~ Approved Suppliers
Equipment **(Note 5)**	$80,000	$130,000	As Arranged	As Incurred	Us ~~and~~or Approved ~~Supplier~~Suppliers
FRANCHISED LOCATION					
Franchised Location (~~Lease~~Security Deposit~~/Pre-Paid~~ and 3 Months' Rent) **(Note 6)**	$~~7~~24,000	$~~12~~32,000	Cash	Before Opening	Landlord
OTHER EXPENSES					
Opening Inventory – Stickhouse Proprietary Products **(Note 7)**	$10,000	$20,000	As Arranged	Before Opening	Us ~~and~~or Approved Suppliers
Opening Inventory – Non-Proprietary Products **(Note 7)**	$1,000	$2,500	As Arranged	Before Opening	Approved Suppliers
Grand Opening Advertising **(Note 8)**	$1,000	$3,000	As Arranged	Before Opening and During 3 Months Following Opening	Approved Suppliers
Insurance – Liability & ~~Workers compensation~~Workers' Compensation (initial deposit)	$2,000	$4,000	Cash	Monthly Premium	Insurance carriers
Legal Fees/Organizational Expenses **(Note 9)**	$1,000	$1,500	Cash	As Incurred	Legal & State
Training Expenses (Including Travel and Living Expenses) **(Note 10)**	$1,400	$3,500	As Arranged	Before Opening	Various Vendors
Initial Franchise Fee **(Note 11)**	$40,000	$40,000	As Arranged	At signing	Us
Additional Funds (3 months) **(Note 12, Note 15)**	$40,000	$60,000	Cash	As Incurred	Approved Suppliers & Employees
GRAND TOTAL (Note ~~16~~15)	**$~~503~~520,600**	**$~~674~~694,900**			

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YOUR ESTIMATED INVESTMENT - ONE SALES SHOP

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
BUILD-OUT COSTS					
Utility Deposits, Fees, and Licenses **(Note 1)**	$1,000	$5,000	Cash	As Incurred	City, County, State
Pre-Construction Costs (Architects, Plans, Permits) **(Note 2)**	$10,000	$25,000	As Arranged	As Incurred	Approved Suppliers
Leasehold/Construction **(Note 3, Note 13)**	$210,000	$255,000	As Arranged	As Incurred	Approved Suppliers
FURNITURE, FIXTURES, EQUIPMENT & SIGNAGE					
Exterior Signage	$3,000	$6,000	As Arranged	As Incurred	Approved Suppliers
POS System and Software **(Note 4)**	$1,200	$2,400	As Arranged	As Incurred	Approved Suppliers
Furniture, Fixtures and Material Finishes **(Note 5)**	$5,000	$10,000	As Arranged	As Incurred	~~Us and~~ Approved Suppliers
Equipment **(Note 5)**	$50,000	$70,000	As Arranged	As Incurred	~~Us and~~ Approved ~~Supplier~~Suppliers
FRANCHISED LOCATION					
Franchised Location (~~Lease~~Security Deposit~~/Pre-Paid~~ and 3 Months' Rent) **(Note 6)**	$~~5~~20,000	$~~10~~28,000	Cash	Before Opening	Landlord
OTHER EXPENSES					
Opening Inventory – Stickhouse Proprietary Products **(Note 7)**	$1,000	$2,500	As Arranged	Before Opening	Us ~~and~~or Approved Suppliers
Opening Inventory – Non-Proprietary Products **(Note 7)**	$1,000	$2,500	As Arranged	Before Opening	Approved Suppliers
Grand Opening Advertising **(Note 8)**	$1,000	$3,000	As Arranged	Before Opening and During 3 Months Following Opening	Approved Suppliers
Insurance – Liability & ~~Workers~~	$2,000	$4,000	Cash	Monthly	Insurance

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
~~compensation~~Workers' Compensation (initial deposit)				Premium	carriers
Legal Fees/Organizational Expenses **(Note 9)**	$1,000	$1,500	Cash	As Incurred	Legal &State
Training Expenses (Including Travel and Living Expenses) **(Note 10)**	$700	$1,350	As Arranged	Before Opening	Various Vendors
Initial Franchise Fee **(Note 11)**	$40,000	$40,000	As Arranged	At signing	Us
Additional Funds (3 months) **(Note 12, Note 15)**	$25,000	$30,000	Cash	As Incurred	Approved Suppliers & Employees
GRAND TOTAL (Note ~~16~~15)	**$~~356~~371,900**	**$~~468~~486,250**			

YOUR ESTIMATED INVESTMENT- ONE CORNER

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
FURNITURE, FIXTURES, EQUIPMENT & SIGNAGE					
Exterior Signage	$500	$500	As Arranged	As Incurred	Approved Suppliers
Furniture, Fixtures and Equipment **(Note 5, Note 13)**	$7,500	$15,000	As Arranged	As Incurred	~~Us and~~ Approved Suppliers
OTHER EXPENSES					
Opening Inventory – Stickhouse Proprietary Products **(Note 7)**	$~~250~~500	$~~250~~500	As Arranged	Before Opening	~~Us~~Us or Approved Suppliers
Training Expenses (Including Travel and Living Expenses) **(Note 10)**	$100	$250	As Arranged	Before Opening	Various Vendors
Initial Franchise Fee **(Note 11)**	$2,500	$2,500	As Arranged	At signing	Us
Additional Funds (3 months) **(Note 12, Note 15)**	$1,000	$5,000	Cash	As Incurred	Approved Suppliers
GRAND TOTAL (Note ~~16~~15)	**$~~10,850~~12,100**	**$~~18,500~~23,75**			

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
		0			

YOUR ESTIMATED INVESTMENT - ONE KIOSK

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
BUILD-OUT COSTS					
Utility Deposits, Fees, and Licenses **(Note 1)**	$1,000	$2,500	Cash	As Incurred	City, County, State
Pre-Construction Costs (Architects, Plans, Permits) **(Note 2)**	$5,000	$10,000	As Arranged	As Incurred	Approved Suppliers
Leasehold/Construction **(Note 3, Note 13)**	$~~25~~90,000	$~~50~~160,000	As Arranged	As Incurred	Approved Suppliers
FURNITURE, FIXTURES & EQUIPMENT					
Exterior Signage	$1,000	$1,500	As Arranged	As Incurred	Approved Supplier
POS System and Software **(Note 4)**	$1,200	$2,400	As Arranged	As Incurred	Approved Suppliers
Furniture, Fixtures and Equipment **(Note 5)**	$~~25~~20,000	$~~50~~40,000	As Arranged	As Incurred	~~Us and~~ Approved Suppliers
FRANCHISED LOCATION					
Franchised Location (~~Lease~~Security Deposit~~/Pre-Paid~~ and 3 Months' Rent) **(Note 6)**	$~~7~~6,000	$~~30~~12,000	Cash	Before Opening	Landlord
OTHER EXPENSES					
Opening Inventory – Stickhouse Proprietary Products **(Note 7)**	$1,000	$2,500	As Arranged	Before Opening	Us ~~and~~or Approved Suppliers
Opening Inventory – Non-Proprietary Products **(Note 7)**	$1,000	$2,500	As Arranged	Before Opening	Approved Suppliers
Grand Opening Advertising **(Note 8)**	$1,000	$3,000	As Arranged	Before Opening and During 3 Months Following Opening	Approved Suppliers

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
Insurance – Liability & ~~Workers compensation~~Workers' Compensation (initial deposit)	$1,000	$2,500	Cash	Monthly Premium	Insurance carriers
Legal Fees/Organizational Expenses	$1,000	$1,500	Cash	As Incurred	Legal and State
Training Expenses (Including Travel and Living Expenses) **(Note 10)**	$500	$1,250	As Arranged	Before Opening	Various Vendors
Initial Franchise Fee **(Note 11)**	$40,000	$40,000	As Arranged	At signing	Us
Additional Funds (3 months) **(Note 12, Note 15)**	$15,000	$20,000	Cash	As Incurred	Approved Suppliers & Employees
GRAND TOTAL (Note ~~16~~15)	**$~~125~~184,700**	**$~~219~~301,650**			

YOUR ESTIMATED INVESTMENT - ONE STICK CART

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
Pre-Construction Costs (Architects, Plans, Permits) **(Note 2)**	$1,000	$1,500	As Arranged	As Incurred	Approved Suppliers
Construction and Equipment (Stick Cart) **(Note ~~14~~13)**	$39,000	$52,000	As Arranged	As Incurred	Approved Suppliers
POS System and Software **(Note 4)**	$1,200	$1,200	As Arranged	As Incurred	Approved Suppliers
Opening Inventory – Stickhouse Proprietary Products **(Note 7)**	$500	$500	As Arranged	Before Opening	Us ~~and~~or Approved Suppliers
Opening Inventory – Non-Proprietary Products **(Note 7)**	$250	$250	As Arranged	Before Opening	Approved Suppliers
Insurance – Liability & ~~Workers compensation~~Workers' Compensation (initial deposit)	$2,500	$5,000	Cash	Monthly Premium	Insurance carriers
Legal Fees/Organizational Expenses	$1,000	$1,500	Cash	As Incurred	Legal and State
Training Expenses (Including Travel and Living Expenses) **(Note 10)**	$100	$250	As Arranged	Before Opening	Various Vendors

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
Initial Franchise Fee (**Note 11**)	$7,500	$7,500	As Arranged	At signing	Us
Additional Funds (3 months) (**Note 12, Note 15**)	$5,000	$10,000	Cash	As Incurred	Approved Suppliers & Employees
GRAND TOTAL (Note ~~16~~15)	**$58,050**	**$79,700**			

YOUR ESTIMATED INVESTMENT - ONE STICK TRUCK

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
Stick Truck **(Note ~~15~~13)**	$60,000	$60,000	As Arranged	As Incurred	Us ~~and~~or Approved Supplier
Equipment	$110,000	$140,000	As Arranged	As Incurred	Approved Supplier
POS System and Software **(Note 4)**	$1,200	$2,400	As Arranged	As Incurred	Approved Suppliers
Opening Inventory – Stickhouse Proprietary Products **(Note 7)**	$1,000	$2,500	As Arranged	Before Opening	Us ~~and~~or Approved Suppliers
Opening Inventory – Non-Proprietary Products **(Note 7)**	$500	$1,000	As Arranged	Before Opening	Approved Suppliers
Legal Fees/Organizational Expenses	$1,000	$1,500	Cash	As Incurred	Legal and State
Insurance – Liability & ~~Workers compensation~~Workers' Compensation (initial deposit)	$5,000	$10,000	Cash	Monthly Premium	Insurance carriers
Training Expenses (Including Travel and Living Expenses) **(Note 10)**	$300	$750	As Arranged	Before Opening	Various Vendors
Initial Franchise Fee **(Note 11)**	$25,000	$25,000	As Arranged	At signing	Us
Additional Funds (3 months) **(Note 12, Note 15)**	$10,000	$15,000	Cash	As Incurred	Approved Suppliers & Employees
GRAND TOTAL (Note ~~16~~15)	**$214,000**	**$258,150**			

YOUR ESTIMATED INVESTMENT - ONE FACTORY

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
BUILD OUT COSTS					
Utility Deposits, Fees, and Licenses **(Note 1)**	$1,000	$5,000	Cash	As Incurred	City, County, State
Pre-Construction Costs (Architects, Plans, Permits) **(Note 2)**	$10,000	$25,000	As Arranged	As Incurred	Approved Suppliers
Leasehold/Construction	$100,000	$150,000	As Arranged	As Incurred	Approved

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
(Note 3, Note 13)					Suppliers
FURNITURE, FIXTURES & EQUIPMENT					
Furniture, Fixtures and Material Finishes (**Note 5**)	$1,000	$5,000	As Arranged	As Incurred	~~Us and~~ Approved Suppliers
Equipment (**Note 5**)	$100,000	$165,000	As Arranged	As Incurred	Us ~~and~~or Approved Supplier
FRANCHISED LOCATION					
Franchised Location (~~Lease~~Security Deposit~~/Pre-Paid~~ and 3 Months' Rent) (**Note 6**)	$5~~5~~6,000	$8~~8~~28,000	Cash	Before Opening	Landlord
OTHER EXPENSES					
Opening Inventory – Stickhouse Proprietary Products (**Note 7**)	$10,000	$20,000	As Arranged	Before Opening	Us ~~and~~or Approved Suppliers
Insurance – Liability & ~~Workers compensation~~Workers' Compensation (initial deposit)	$5,000	$10,000	Cash	Monthly Premium	Insurance carriers
Legal Fees/Organizational Expenses	$1,000	$1,500	Cash	As Incurred	Legal and State
Training Expenses (Including Travel and Living Expenses) (**Note 10**)	$1,400	$3,500	As Arranged	Before Opening	Various Vendors
Additional Funds (3 months) (**Note 12, Note 15**)	$15,000	$20,000	Cash	As Incurred	Approved Suppliers & Employees
GRAND TOTAL (Note ~~16~~15)	**$~~249~~250,400**	**$~~413~~433,000**			

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YOUR ESTIMATED INVESTMENT

AREA DEVELOPMENT AGREEMENT
(ONE FULL SHOP, SALES SHOP, KIOSK, CORNER AND STICK CART)

The number and type of Stickhouse Shops that you will develop will be determined on a case-by-case basis before you sign your Area Development Agreement. The following chart, as an example, sets forth the total investment necessary to begin operations of one Full Shop~~,~~ under an Area Development Agreement for one Full Shop, one Sales Shop, one Kiosk, one Corner and one Stick ~~Truck~~Cart. You will generally have the opportunity to develop the number and combination of types of Stickhouse Shops that you choose, although we may not always afford you the opportunity to develop the number and combination of types of Stickhouse Shops that you request. You and we will determine the Development Area and the number and type of Stickhouse Shops that you will develop and operate on a case-by-case basis before you sign your Area Development Agreement.

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
INITIAL INVESTMENT REQUIRED TO BEGIN OPERATIONS OF 1ST FULL SHOP					
Initial Investment (~~One~~ Full Shop~~, Sales Shop, Kiosk, Corner and Stick Cart~~) (Note 14)	$~~1,055,100~~520,600	$~~1,461,000~~ 694,900	See Above	See Above	See Above
Development Fees **(Note 11)**	$~~65~~45,000	$~~65~~45,000	Cash	At Signing	Us
Additional Legal Fees **(Note 9)**	$3,000	$5,000	Cash	As Incurred	Legal & State
GRAND TOTAL (Note ~~16~~15)	**$~~1,123,100~~568,600**	**$~~1,531,000~~ 744,900**			

All fees are uniformly imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable. You authorize us to debit from your designated primary business checking or saving operating account for each month any funds due and payable to us for royalty fees and all other sums that you owe to us or our affiliate. We ~~currently~~generally do not offer financing for any purpose, but reserve the right to do so in the future~~.~~ and may do so if and when we determine it is warranted by a unique or compelling situation. We do not guarantee your note, lease or other obligation.

NOTES

1. This category includes equipment lease deposits, sales tax deposits or bonds, business licenses fees, sewer hookup charges, and utility deposits. The figures provided exclude any special connection and/or tap fees, employment or sales taxes which are based on projected sales. Your fees and expenses may vary depending upon the type or types of Stickhouse Shop you will operate.

2. These estimates include costs for space plan layout, exterior signage, design, architectural, kitchen,

mechanical, electrical, plumbing, and related drawings, engineering, testing, permit expediter, and city permits and fees. You must use our approved architect and designer to design and construct your Stickhouse Shop. Your fees and expenses may vary depending upon the type or types of Stickhouse Shop you will operate.

3. These estimates are for the costs incurred for project and construction management and construction and remodeling a location to conform to our current standards, including a general contractor's fee, contractor's insurance, materials and supplies, tools, labor, and subcontractor fees, and other costs to construct leasehold improvements that conform to our standards. You must perform or have performed any construction, remodeling, or additions necessary to cause the premises to conform to applicable federal, state, county, city, local laws, ordinances, codes, rules and regulations and meet our requirements for the layout design, construction, fixturization, equipment and installation, and the trade dress appearance of a Stickhouse Shop. Construction and remodeling costs vary widely, depending upon the location, design, the condition and configuration of existing services, and facilities such as air conditioning, electrical and plumbing lease terms and the local real estate market. You must grant us a security interest in and to all leasehold improvements, fixtures, furnishing, and equipment, inventory, and supplies located at or used in connection with your Stickhouse Shop. The cost of construction a building shell is not included. Your fees and expenses may vary depending upon the type or types of Stickhouse Shop you will operate.

4. The figure provided is the ~~estimate~~estimated cost to purchase a computerized cash accounting and point of sale system including the installation. Your expenses may vary depending upon the type or types of Stickhouse Shop you will operate.

5. You must purchase certain furniture, machines~~-~~, equipment, supplies and ~~smallware~~smallwares from ~~Us~~us or an Approved Supplier, including gelato displays, ~~"La Ghiacciola" (a machine that makes gelato),~~ a blast freezer, an espresso machine, a water osmosis system, coffee grinders, and ceramic cups. If you are purchasing a Full Shop or Factory, which have gelato-production capabilities, you must purchase between 2 and 4 "La Ghiacciola" machines (machines that makes gelato) from us at a cost of approximately $20,000 per machine. We purchase the "La Ghiacciola" machines exclusively from Stick House Company srl and resell them to our franchisees. You must also purchase the ingredients to make gelato from ~~Us~~us, and other ingredients from ~~an~~ Approved ~~Supplier~~Suppliers. Your expenses ~~may~~will vary depending upon the type or types of Stickhouse Shop you will operate.

6. These estimates assume that your Franchised Location for a Full Shop, Sales Shop, Kiosk and ~~Corner~~Factory will be leased, unimproved, unfinished, retail shop type unit. The estimates are based on the assumption that the premises will be rented and that the landlord will require a security deposit~~. Each~~ equal to one month's rent; however, each landlord has its own requirements and some landlords may require 2 to 3 months' rent as a security deposit. A typical Stickhouse Shop will be located in a densely populated suburban or urban area on a major thoroughfare or adjacent to or part of a suburban or urban shopping center. The typical location for a Full Shop will be 800 to ~~1200~~1,200 square feet. Monthly lease payments usually range from $6,000 to $8,000. The typical location for a Sales Shop will be 700 to ~~1000~~1,000 square feet. Monthly lease payments usually range from $5,000 to $7,000. Kiosks will generally be located at malls or open space malls. The typical location for a Kiosk will be 200 to 400 square feet. Monthly lease payments usually range from $1,500 to $3,000. The typical location for a Corner will be 10 to 20 square feet. The typical location for a Factory will be 700 to ~~1500~~1,500 square feet. Monthly lease payments usually range from $1,500 to $7,000.

7. You must purchase branded products and proprietary food and beverage products from us. You may purchase non-branded products and non-proprietary foods and beverage products from Approved Suppliers. If your Stickhouse Shop is a sales-only site without a production room or a Factory, you will purchase your inventory of Stickhouse Ice Cream Products from us or our affiliate that we or our affiliate will produce in our

production facilities~~ from us or our affiliate.~~. See Item 8. Your expenses ~~may~~will vary depending upon the type or types of Stickhouse Shop you will operate.

8. At least 60 days before the opening of your Stickhouse Shop, you must submit a grand opening spending plan ("**Grand Opening Plan**") to us, which outlines your proposal for grand opening marketing and promotion of your Stickhouse Shop. You must obtain our written consent to the Grand Opening Plan before you implement it. You must modify the Grand Opening Plan as we request, and thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. Your marketing expenses may vary depending upon the type or types of Stickhouse Shop you will operate.

9. The estimate includes legal review and negotiation of the lease for the franchised Stickhouse Shop and accounting assistance in setting up your books.

10. This estimate includes the cost of sending your Operating Principal, General Manager, and 3 more supervisorial or managerial personnel to attend our Initial Training Program in our offices in Los Angeles, California, or at a site of our choice. You must arrange and pay for the transportation, meals and lodging of your employees who attend our Initial Training Program. This estimate does not include pre-opening training salaries for your managers and employees while they attend our Initial Training Program.

11. The initial fees are described in Item 5 of this Disclosure Document. You must pay us an Initial Franchise Fee of $40,000 when you sign a Franchise Agreement for a Full Shop, Sales Shop, or Kiosk, $25,000 for a Stick Truck, $7,500 for a Stick Cart, and $2,500 for a Corner. There is no Initial Franchise Fee due for a Factory. If you are signing a Franchise Agreement with the renewal of an existing franchise, you will pay us a renewal fee in lieu of an Initial Franchise Fee when you sign the renewal Franchise Agreement as provided in your existing Franchise Agreement.

When you sign the Area Development Agreement, you must sign the Franchise Agreement and pay us an Initial Franchise Fee of $40,000 for the first Full Shop that you will develop under the Area Development Agreement. You must also pay us a ~~development fee~~Development Fee of $20,000 for each additional Full Shop, Sales Shop, and Kiosk, $12,500 for each Stick Truck, $3,750 for each Stick Cart, and $1,250 for each Corner to be developed under the Area Development Agreement. There is no Development Fee due for a Factory. You must also sign a separate Franchise Agreement for each Stickhouse Shop to be opened under the Area Development Agreement~~. When you sign the Franchise Agreement for a Full Shop, Sales Shop, Stick Truck, Kiosk, Stick Cart, or Corner, you~~ and must pay us an Initial Franchisee Fee of $40,000 for each Full Shop, Sales Shop, and Kiosk, $25,000 for each Stick Truck, $7,500 for each Stick Cart, and $2,500 for each Corner, less a development fee credit of $20,~~00~~000 for each Full Shop, Sales Shop, and Kiosk, $12,500 for each Stick Truck, $3,750 for each Stick Cart, and $1,250 for each Corner.- The maximum Development Fee credit is $20,000 for each Full Shop, Sales Shop, and Kiosk, $12,500 for each Stick Truck-, $3,750 for each Stick Cart, and $1,250 for each Corner. When you sign the Franchise Agreement for a Factory, there is no Initial Franchise Fee~~ due. ~~. The figures in the chart above do not reflect the Development Fee credit.

12. You must, all the times, maintain adequate reserves and working capital sufficient for you to fulfill all of your obligations under the Franchise Agreement and to cover the expenses, risks and contingencies of the Stickhouse Shop for at least 3 months. The estimates provided above include estimated ~~employee wages~~employees' salaries, 3 months of inventory (including Stickhouse Shop ingredients and food products), facility expenses, opening cash, and other miscellaneous required expenses ~~incurred~~you may incur before and ~~during~~through the first 3 months of operations. These estimates do not take into account the finance charges, interest and related costs you may incur if any portion for the initial investment is financed or all other recurring monthly operating expenses. Your expenses may vary depending upon the type or types of

Stickhouse Shop you will operate. These amounts are the minimum recommended levels to cover operating expenses~~, including employee's salaries~~ for 3 months. However we cannot guarantee that ~~those~~these amounts will be sufficient. Additional working capital may be required if sales are low and fixed costs are high. The disclosure laws require us to include this estimate of all costs and expenses to operate your Franchise during the "**initial phase**" of your business, which is defined as a 3 month period or longer period if "**reasonable for the industry**". We are not aware of any established longer "**reasonable period**" for the Ice Cream Industry, so our disclosure covers a 3 month period. -We make no guarantee, and do not intend to imply, that 3 months is a "break even" point for you to recover your initial investment in your Stickhouse Shop. We make no representation regarding how long it will take you to recover your initial investment or to become profitable.

~~13.~~ A "**Full Shop**" is a dedicated retail outlet with a production room for Stickhouse Ice Cream Products and on-site storage, and with sale areas on the premises or connected to the premises. A "**Sales Shop**" is a dedicated retail outlet with a sales area without a production room. A "**Kiosk**" is a single, sales-only site without a production room.- It is typically a stand-alone structure with gelato displays and possibly coffee items and services.

~~14.~~ A "**Corner**" is a small sales-only display in an existing non-Stickhouse business. A "**Stick Cart**" is a mobile, free standing sales-only unit that you may only operate if you are currently operating a "Full Shop," "Factory," "Sales Shop", or "Kiosk". It is typically either: (i) a trailer cart, which is a custom made car trailer 7 to 8 feet in length with a fully functioning gelato display, dipping station, drink display, and point of sale system; or (ii) a cart, which is smaller than the trailerr cart and may be moved by human force, but which offers the same or similar features.

~~15.~~13. A "**Stick Truck**" is a mobile, free standing retail sales-only truck, containing a large gelato display and a drinks display, and 2 point of sale systems. -The estimated cost provided is for a new 2014 Ford F59 Ultimaster Step Van, with taxes and license fees included. A "**Factory**" is a strictly a production facility without a retail sales area in which you will produce the Stickhouse Ice Cream Products for your other Stickhouse Shops.

14. See chart for "Full Shop" above for details. Estimates to begin operations of a Full Shop are provided in the Area Development Agreement chart because, after signing the example Area Development Agreement for one Full Shop, one Sales Shop, one Kiosk, one Corner and one Stick Cart, you would first be required to develop the Full Shop before the other Stickhouse Shops, as none of the others will provide you with production capabilities.

~~16.~~15. To formulate the estimates presented in this Item 7, we relied on the experience of the Parent Company in opening and operating a Stickhouse Shop in Italy and in being the franchisor for Stickhouse outlets in various countries, and on the experience of the Operating Company in opening and operating 2 Stickhouse Shops in California. We also relied on our franchisees' experience in opening and operating Stickhouse Shops in California if and to the extent that they shared this information with us. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you have no obligation to purchase or lease from us or from suppliers approved by us or according to specifications we issue. Your expenses for the items described below may vary depending upon the type or types of Stickhouse Shop you will operate.

Approved Suppliers

You may only use suppliers that we have accepted and approved ("**Approved Suppliers**") because they have demonstrated to us their ability to supply machines, equipment, products and services for Stickhouse Shop meeting our specifications as to brand names, models, contents, manner of preparation, ingredients, quality, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. We will provide you with our Manuals and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of machines, equipment, products and services. Upon requests we will furnish to you a list of Approved Suppliers that we may update from time to time. You must operate your Stickhouse Shop in strict compliance with the standard procedures, policies, rules and negotiations contained in the Manuals. We are an Approved Supplier. In addition, if your Stickhouse Shop is a sales-only site without a production room or a Factory, you will purchase your inventory of Stickhouse Ice Cream Products that we or our affiliate will produce in our production facilities from us or our affiliate

Goods, Supplies, Inventory, and Services

You must serve all and only the products we authorize ("**Authorized Stickhouse Products**"). We may specify branded products and proprietary beverages, ingredients, consumables, food products, packaging and other products which are produced or manufactured according to our trade secrets, proprietary recipes, specifications and/or formulas (collectively, the **"Stickhouse Proprietary Products"**). You must buy Stickhouse Proprietary Products only from us, our affiliates, or other Approved Suppliers. We will not be obligated to reveal our trade secrets or the recipes, specifications and/or formulas of Stickhouse Proprietary Products to you or any third party. You must purchase, use and maintain in stock a sufficient amount of Authorized Stickhouse Products to operate your Stickhouse Shop.

Currently, our affiliate, Gelatoro Production, is the only Approved Supplier for certain Stickhouse Proprietary Products. Our Chief Executive Officer, Ismar Toromanovic, owns 100% of Gelatoro Production.

Currently, we are the only Approved Supplier for "La Ghiacciola" machines (machines that makes gelato). We purchase the "La Ghiacciola" machines exclusively from Stick House Company srl and resell them to our franchisees.

We may designate certain non-proprietary food products, beverages, raw materials, fixtures, furnishing, equipment, uniform, supplies, packaging, paper goods, forms, customer comment cards, POS System, computer hardware, software, modems, and peripheral equipment and other products, supplies, services, and equipment, other than Stickhouse Proprietary Products, which you may or must use or sell at your Stickhouse Shop ("**Non - Proprietary Products**"). You may use, offer or sell only those Non-Proprietary Products that we expressly authorize. You will purchase Non-Proprietary products from Approved Suppliers. Each supplier we approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and satisfy us that it will supply products meeting our specifications (which may include particular brand names, model, contents, quality, and compliance with governmental standards), reliably deliver consistent quality products or services, and meet any other requirements we determine is in the best interest of the Stickhouse System. We may limit items to a particular brand or brands set by us.

Approximately ~~80~~20-40% of your start-up expenses and ~~90~~23-28% of your ongoing expenses, other than fees disclosed in Item 5 and 6, will be for purchases from Approved Suppliers or purchases according to our specifications.

Equipment & Fixtures

You must purchase and install, at your expense, all fixtures, furnishings, equipment (including a point-of-sale cash collection System), décor, and signs as we direct. You may not install on or about your Stickhouse Shop any merchandise, furnishing, interior or exterior décor items, supplies, fixtures, equipment or utensils unless they have been approved by us in writing. You may purchase these items from Us and Approved Suppliers

Computer Equipment

You must purchase, lease or license all computer hardware and software for the Stickhouse Shop at your expense. You must maintain and update all computer hardware and software.

Approval of Suppliers

If you wish to procure any items from a supplier other than us or an Approved Supplier, you must obtain our approval. You must identify the proposed supplier, its name and address, and the item(s) you desire to purchase from that supplier. We may require you to deliver a sample of their product. Our specifications and standards for supplier approval are generally available upon written request. If product specifications for the item are not in the Manuals, we will furnish the general, but not manufacturing, specifications for Non-Proprietary Products to you at your request. We may condition our approval on the supplier agreeing in writing not to disclose any confidential information regarding us or our operations, to comply faithfully with our specifications for the items it sells, to sell any materials bearing our marks only to our franchisees, and on the supplier demonstrating to our reasonable satisfaction that it is able to supply commodities meeting our specifications on a continuing basis, and that the supplier is, and will continue to be, of good standing in the business community with regard to its financial soundness and the reliability of its product and service. We also have the right to require, as a condition of approval, that our representatives are permitted to inspect the supplier's facilities and that you deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we reasonably designate for testing. You must pay us a fee not to exceed the actual cost of the inspection and the actual cost of the test. In addition to product testing, a facility audit may be required. You will pay us, in advance, an evaluation fee of up to $1,000 per supplier before we begin any inspection. You will be responsible for any additional costs and expenses associated with the inspection of the facility. We will use our good faith efforts to notify you of our decision in writing within 60 days after we receive your request for approval and all requested back-up information. You may not use a supplier unless we notify you of our approval in writing. We may revoke a supplier's approval for failure to comply with our requirement and specifications. We will disapprove or withdraw our approval of any supplier by written notice to you.

Rebates

We may, from time to time, receive rebates from Approved Suppliers based on the aggregate volume of items ordered by our franchises. You will not be entitled to receive any portion of these rebates. In addition, we may negotiate certain arrangements (including price terms) for the purchase of certain items. We do not provide material benefits to franchisees (for example renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers. There are currently no purchasing or distribution cooperatives for the Stickhouse System.

We may, from time to time, receive rebates from Approved Suppliers based on the aggregate volume of items ordered by our franchisees. You will not be entitled to receive any portion of these rebates. In addition, we may negotiate certain arrangements (including price terms) for the purchase of certain items. We do not provide material benefits to franchisees (for example renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers.

During the fiscal year ended December 31, ~~2015~~2016, we received no rebates from Approved Suppliers.

During the fiscal year ended December 31, 2016, we received no revenue from required purchases or leases by franchisees.

During the fiscal year ended December 31, 2016, Gelatoro Production's revenue from franchisees' purchases of required products was $29,917, or 14% of Gelatoro Production's total revenues of $210,668, based upon Gelatoro Production's unaudited financial statements for that period.

Insurance

You must obtain and maintain throughout the term of your Franchise Agreement the types and amounts of insurance required by us and you must provide us with proof of coverage and Certificates of Insurance upon demand. ~~Workers Compensation~~Workers' compensation insurance must be in compliance with all local laws and regulations, Your coverage must include Employment Practices Liability Insurance. This insurance must protect both you and us 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 your Stickhouse Shop. Each policy must (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which your Stickhouse Shop is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide, (ii) name us as an additional insured, and (iii) comply with the requirements prescribed by us at the time the policies are obtained. You and your insurers must agree to waive their rights of subrogation against us, and you must provide evidence of the waiver.

Credit Cards

You are required to honor all credit, charge, courtesy and cash cards approved by us in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data in connection with selling Stickhouse Authorized Products, you are required to maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("**PCI DSS**"), currently found at www.pcisecuritystandards.org for the protection of cardholder data throughout the Term of your Franchise Agreement. You are responsible for the security of cardholder data in the possession or control of any of subcontractors you engage to process credit cards. All subcontractors must be identified to and approved by us in writing prior to sharing cardholder data with the subcontractor. You must, if requested to do so by us, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all identified subcontractors.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. -It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

OBLIGATION	SECTION(S) IN AGREEMENTS	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Section 5 of the Franchise Agreement; Sections 5.1-5.2 of the Area Development Agreement	Items 8, 11 and 16
b. Pre-opening purchases/leases	Section 5 of the Franchise Agreement; Section 5.2 of the Area Development Agreement	Item 5 and 16
c. Site development and other pre-opening requirements	Sections 5.3 and 5.4 of the Franchise Agreement; Sections 2, –6.1-6.2 and Exhibit B of the Area Development Agreement	Items 7, 11 and 16
d. Initial and ongoing training	Sections 6.1 and 6.2 of the Franchise Agreement	Items 6 and 11
e. Opening	Section 5.4 of the Franchise Agreement	Item 11
f. Fees	Sections 3.2-3.3, 4.1-4.3, 4.7 and 14.4.7 of the Franchise Agreement; Sections 3.4, 4, 9.4.7 and Exhibit B of the Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies/Manuals	Section 7 of the Franchise Agreement; Sections 6 and 16 of the Area Development Agreement	Item 11
h. Trademarks and proprietary information	Section 9 of the Franchise Agreement; Sections 7 and 8 of the Area Development Agreement	Items 11, 13, and 14
i. Restrictions on products/services offered	Section 8 of the Franchise Agreement; Section 6.2 of the Area Development Agreement	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	None
k. Territorial development and sales quotas	Sections 2.1, 2.4, 2.5, 2.6 and 6.1 of the Area Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 7.6, 8 and 10.3 of the Franchise Agreement	Item 16
m. Maintenance, appearance and remodeling requirements	Sections 5.3, 7.17 and 7.18 of the Franchise Agreement	Items 7 and 16
n. Insurance	Section 13 of the Franchise Agreement; Section 6.5 of the Area Development Agreement	Item 16
o. Advertising	Section 10 of the Franchise Agreement	Items 6, 11 and 13
p. Indemnification	Section 18.4 of the Franchise Agreement; Section 14.4 of the Area Development Agreement	Items 6, 12 and 17

OBLIGATION	SECTION(S) IN AGREEMENTS	DISCLOSURE DOCUMENT ITEM
q. Owner's participation/ management/staffing	Section 7.5 of the Franchise Agreement	Item 15
r. Records and reports	Section 12 of the Franchise Agreement	Item -6
s. Inspections and audits	Section 12.3 of the Franchise Agreement	Item 6
t. Transfer	Section 14 of the Franchise Agreement; -Sections 9 and 10 of the Area Development Agreement	Items 6 and 17
u. Renewal	Sections 3.2-3.4 of the Franchise Agreement; Sections 3.2-3.4 of the Area Development Agreement	Items 6 and 17
v. Post-termination obligations	Section 17 of the Franchise Agreement; Section 12 of the Area Development Agreement	Items 6 and 17
w. Non-competition covenants	Section 15 of the Franchise Agreement; Section 13 of the Area Development Agreement	Item 17
x. Dispute resolution	Section 19 of the Franchise Agreement; Section 15 of the Area Development Agreement	Item 17
y. Taxes & Permits	Sections 4.6 and 5.3 -of the Franchise Agreement	Items 1 and 7
z. Computer hardware and software	Section 7.3 of the Franchise Agreement; Section 6.6 of the Area Development Agreement	Item 16
aa. Security Interest	Section 4.6 -of the Franchise Agreement	Item 10
bb. Liquidated Damages	Section 7.2 of the Franchise Agreement	Item 6

ITEM 10
FINANCING

We generally do not offer direct or indirect financing~~.~~ for any purpose, but we may do so in the future if and when we determine it is warranted by a unique or compelling situation. We will not guarantee your note, lease or other obligation.

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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 Opening

We have the following obligation to you before you open your Stickhouse Shop for business. Our obligations may vary depending upon the type or types of Stickhouse Shops you operate.

1. You are solely responsible for selection of the proposed site of your Full, Sales, Corner and Kiosk Stickhouse Shop, which will be subject to our review and acceptance. Upon signing a Franchise Agreement, you must promptly locate a proposed site. We may, without obligation, assist you in locating a proposed site, only after you sign the Franchise Agreement and pay the Initial Franchise Fee. We will provide you with our site criteria that include the factors we consider in accepting Stickhouse Shop locations, such us general location and neighborhood, traffic patterns, physical characteristics of suitable premises and lease terms. You may not construe any assistance we may provide, or our acceptance, as a guarantee or other assurance that the proposed site will be successful. Upon locating a proposed site, you will submit in writing certain information we request. We will notify you in writing whether the site is accepted or rejected within about 30 days after we receive all of the information we require to evaluate the site. Our obligations and assistance may vary depending upon the type or types of Stickhouse Shops you operate. You must open your Stickhouse Shop within 180 days after signing your Franchise Agreement. We will not unreasonably withhold our consent to your request for additional time to open your Stickhouse Shop. **(Franchise Agreement Sections 5.1 and 5.4).**

2. We will provide you with a copy of our specifications for the décor and layout of a Full, Sales and Corner Stickhouse Shop and the required fixtures, equipment, furnishings, décor, trade dress and signs for each type of Stickhouse Shop. You are responsible for the costs of preparing architectural, engineering and construction drawings and site and space layout and exterior signage plans, if and as necessary. You must use our approved architect and designer to design and construct your Full, Sales and Corner Stickhouse Shop. You are responsible for the cost of construction and remodeling of your Stickhouse Shop. **(Franchise Agreement. Section 5.3)**.

3. After you sign your Franchise Agreement, we will loan you one copy of or otherwise provide you with access to our Operations and Training Manuals ("**Manuals**") to use during the term of the Franchise Agreement by hard copy or via intranet. The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply. We may, from time to time, update or change the Manuals in our sole discretion. **(Franchise Agreement Section 6.4)**. -You will be given the opportunity to view the Manuals before you sign the Franchise Agreement. You must operate your Stickhouse Shops in compliance with the terms of your Franchise Agreements and the Manuals. You alone will exercise day-to-day control over all operations, activities and elements of the Stickhouse Shops, including over your employees. Under no circumstance will we do so or be deemed to do so. The various requirements, restrictions, prohibitions, specifications and procedures of the Stickhouse System with which you must comply under the Franchise Agreements and the Manuals do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Stickhouse Shops, but only constitute standards to which you must adhere when exercising your control over the day-to-day operations of your Stickhouse Shops consistent with our policies. **Franchise Agreement, Section 7.1**).

4. We will provide our Initial Training Program in the Stickhouse System and methods of operation that will consist of approximately 10 days of training for the persons you select, including your Operating Principal, your General Manager, or other supervisorial or managerial personnel. **(Franchise Agreement, Section 6.1).**

5. If you have signed an Area Development Agreement, upon our acceptance of a site, we will give you a copy of our then-current Disclosure Document, if required by applicable law, together with a copy of our then-current Franchise Agreement for the Stickhouse Shop. (**Area Development Agreement, Section 5.3**).

Post-Opening Obligations

We have the following obligations to you during the operation of your Stickhouse Shop. Our obligations may vary depending upon the type or types of Stickhouse Shops you operate.

1. We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention. -We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom you will offer and sell your products and services; and (iii) the suppliers from whom you obtain any products or services used in or at the Stickhouse Shop for which we have not established Approved Suppliers. -(**Franchise Agreement, Section 6.5)**

2. We may provide additional and remedial training programs for new or replacement supervisorial or managerial personnel. (**Franchise Agreement, Section 6.2**)

3. We will designate Stickhouse Proprietary Products and Non- Proprietary Products which you may stock and promote. (**Franchise Agreement, Section 8.3**)

4. We may examine your Stickhouse Shop to confer with your supervisorial or managerial personnel, inspect and check operations, food, beverages, furnishings, interior and exterior décor, supplies, fixtures, machines and equipment and determine whether your Stickhouse Shop is being operated in accordance with the Franchise Agreement, Stickhouse System and Manuals. (**Franchise Agreement, Section 6.6**)

5. At our option, we may establish and maintain the Stickhouse marketing fund (the "**Marketing Fund**"). If established, you will be required to contribute Marketing Fees in the amounts that we require. **(Franchise Agreement, Section 10.7).**

Length of Time to open your Stickhouse Shop

You must deliver a fully executed copy of the Lease to us promptly following its execution, in the form and on the terms previously accepted by us, and you must open your Stickhouse Shop for business within 180 days after signing your Franchise Agreement, unless we agree otherwise. (**Franchise Agreement, Sections 5.2 and 5.4**).

A Stickhouse Shop usually opens for business 6 months after the Franchise Agreement is signed or the location is accepted. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to identify a location which we will accept, obtain any financing you need, obtain required permits and governmental agency approvals, fulfill local ordinance requirements, complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs, and complete the hiring and training of personnel. Delay on construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors.

You may open a Stickhouse Shop under the Area Development Agreement only by signing a Franchise Agreement for that location. ~~-~~(**Area Development Agreement, Section 5.3**).

As noted above, we estimate the length of time between signing a Franchise Agreement and the opening of your Stickhouse Shop is 6 months. The length of time between signing a Franchise Agreement and the opening of your Stickhouse Shop may vary depending upon the type or types of Stickhouse Shops you operate.

Site Selection/Lease/Purchase of Real Estate

If you do not already have a location for a Full, Sales, Corner or Kiosk Stickhouse Shop when you sign your Franchise Agreement, you must purchase or lease a site for your Stickhouse Shop promptly after you sign the Franchise Agreement. You must submit your proposed lease to us to allow us at least 15 days to confirm that the required provisions in Section 5.2 of the Franchise Agreement have been included in the lease and/or you and your landlord must have executed an Option to Obtain Lease Assignment (**Exhibit C**) in the form we specify (**Franchise Agreement, Section 5.2**) and must provide us with a fully signed copy within 90 days of signing your Franchise Agreement. Our acceptance of your lease is based solely on our own interests and does not represent any guarantee or endorsement by us of the Franchised Location or confirmation that the lease complies with applicable law or that the terms of the lease are favorable to you. If we accept the proposed site, we will notify you of our preliminary acceptance of the site within about 30 days (or 15 days after you provide any supplemental information we request). Your lease must not (i) obligate us in any manner, or (ii) contain any provision inconsistent with your Franchise Agreement. In addition, your lease must provide, unless Franchisor otherwise consents in writing prior to the execution of the Lease, for the following (i) the Lease may not be amended, assigned or sublet without our prior written consent (ii) we have the right (but not the obligation) to succeed to your rights under the Lease if you fail to exercise any option to renew, and/or extend the term of the Lease, (iii) if you default under the Lease, the Landlord must notify us in writing at least 15 days prior to the termination or non-renewal of the Lease (iv) we have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to you and the Landlord, (v) you have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to us, or any franchisee or licensee approved by us, and (vi) we have the right to enter the Franchised Location to remove all of the Stickhouse Marks from the Franchised Location and modify the décor of the Franchised Location so that it no longer resembles, in whole or in part, a Stickhouse Shop if you fail to do so. (**Franchise Agreement, Section 5.2**) You and we must agree on a site and you must obtain all permits required to construct, remodel, renovate, end equip the Stickhouse Shop within 180 days after signing the Franchise Agreement or we may terminate your Franchise Agreement. (**Franchise Agreement, Sections 5.3 and 16.2.14**). If you are purchasing the Franchised Location, you must submit the contract for purchase and sale to us for approval at least 15 days before you sign it, and provide a fully signed copy of the contract to us within 15 days following closing. Our respective obligations for selecting, assessing and acquiring your Stickhouse Shop may vary depending upon the type or types of Stickhouse Shops you operate.

If you are signing the Franchise Agreement under an Area Development Agreement, after you have located a site, you must submit to us for our review, all demographics and other information regarding the proposed site and neighboring areas that we require, in the form we require, and request us to consider and approve the site. ("**Site Review Request**") (**Area Development Agreement, Section 5.1**). If we accept the proposed site, we will notify you of our preliminary acceptance of the site, subject to our further analysis, your successful negotiation of a final lease or purchase agreement acceptable to us, and other reasonable conditions we may impose. Promptly following receipt of our preliminary acceptance of the site, you must negotiate a lease or purchase agreement for the site and submit a copy to us for final acceptance. (**Area Development Agreement, Section 5.2**)

After our preliminary acceptance of the site and the proposed lease or purchase agreement, we will give you execution copies of the Franchise Agreement for the proposed location, together with our current Disclosure Document if required under applicable law. You must return the signed Franchise Agreement to us within 30 days after you receive the Disclosure Document and execution copies of the Franchise Agreement (but no sooner than immediately after any applicable waiting periods required by applicable law has passed). (**Area Development Agreement, Section 5.3**) You must also provide a fully signed copy of the lease or purchase agreement promptly after signing. Following our receipt of a final lease or purchase agreement acceptable to us, we will notify you of our final acceptance of the site. You may not sign the lease (or purchase) agreement until we deliver a Franchise Agreement signed by both you and us, and our final acceptance of the lease (or purchase) agreement and site. (**Area Development agreement, Section 5.2**).

You may not open your Stickhouse Shop at the Franchised Location for business until you have received our written authorization, which may be subject to our satisfactory inspection of the Stickhouse Shop at the Franchised Location. Our respective obligations for opening your Stickhouse Shop may vary depending upon the type or types of Stickhouse Shops you operate. (**Franchise Agreement, Section 5.4**).

POS System

You must purchase, use and maintain a computerized point of sale cash collector system (including a POS System network router, computer, -back office computer and printer and other related hardware and software) for your Stickhouse Shop ("**POS System**"). Your POS System must be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, and for ordering and maintaining the POS System. The POS System must be electronically linked to us, and you must allow us to poll the POS System on a daily or other basis at the times and in the manner established by us, with or without notice, and to retrieve transaction information including sales, sales mix, usage, and other operations data that we deem appropriate. We may require that you update, upgrade or replace the POS System, including hardware and/or software, upon written notice, provided that you will not be required to replace the POS System any more frequently than once every 3 years. The POS System must include the required technology to permit you to accept on line orders of Stickhouse products and services at your Stickhouse Shop and to accept and process Stickhouse gift-cards sold in other Stickhouse Shops. In addition, you must purchase, lease or license all computer hardware and software for your Stickhouse Shop at your expense. During the term of your Franchise Agreement, you must maintain and update all computer hardware and software. (**Franchise Agreement, Section 7.3**).

Internet

We have registered the internet domain name www.stickhousegelato.com and have established a site using this domain name. You acknowledge that the domain name is our sole property. You may not use in any manner, any computer medium or electronic medium (for example, any Internet home page, e-mail address, website, domain name, URL, bulletin board, newsgroup or other Internet related medium or activity) that contains the Stickhouse Marks, or any other words, symbol or term confusingly similar to the Stickhouse

Marks without our express prior written consent. We may include on our Internet web site interior pages that identify all Stickhouse Shops, including your Stickhouse Shop. (**Franchise Agreement, Sections 10.5 and 10.6**).

We have the sole right to market on the Internet and use the Stickhouse Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, cobranding, and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of domain name containing Stickhouse Marks or participate or market on any website or other form of electronic media (including social technology, social media, and social networking platform) using the Stickhouse Marks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of the Stickhouse Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify. (**Franchise Agreement, Sections 2.3 and 10.5**).

Intranet

We may, at our option, establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates and other confidential information to you. If we establish an Intranet, you must establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you. We will have sole discretion and control over all aspects of the Intranet, including the content and functionality of the Intranet. You will have the privilege but not the right, to use the Intranet, subject to your compliance with our policies. (**Franchise Agreement, Section 7.16**).

Promotional Campaigns

We may conduct promotional ~~campaign~~campaigns on a national or regional basis to promote products or marketing themes. You must participate in all promotional campaigns which we may establish for the region in which your Stickhouse Shop is located. (**Franchise Agreement, Section 10.3**).

Marketing Fund

As of the date of this Disclosure Document, we have not yet established the Marketing Fund. Therefore we do not currently require you to pay a Marketing Fee, but we reserve the right to do so in the future upon 90 days' written notice to you. If and when the Marketing Fund is implemented, company-owned and affiliate owned Stickhouse Shops, including any owned by the Operating Company, may, but are not required to, contribute to the Marketing Fund. If they do, they will not be required to contribute in the same percentage as you and may stop contributing at any time without notice to you. In the fiscal year ended December 31, 2016, there was no contribution to the Marketing Fund made by Heart Certified Auto Care automotive repair and maintenance businesses.

Once established, the Marketing Fee will not exceed 2% of the Gross Sales of your Stickhouse Shop. If implemented, the Marketing Fund will be administered by us and will be used to meet the costs of conducting marketing and promotional activities. The Marketing Fund may be used to pay the costs of preparing and producing video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research and other marketing and promotional activities, campaigns, test marketing, marketing surveys, public relations activities, website development/operation for portal, Internet, Intranet and URL services and for 800 or similar numbers. The

Marketing Fund is intended to maximize general public recognition and acceptance of the Stickhouse Marks for the benefit of the Stickhouse System. The administrator will not be obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that you benefit directly or pro rata from the marketing or promotion conducted under the Marketing Fund. The Marketing Fund will be held in an account separate from our other funds. Your Marketing Fees will not be used to defray any expenses of ours except for the reasonable costs and overhead, if any, we may incur, such as the costs of personnel for creating and implementing promotional and marketing programs. Any unused monies in the Marketing Fund at the end of any year will be used in the next fiscal year. We will not use a majority of the Marketing Fees for marketing that is principally a solicitation for the sale of Stickhouse franchises. We will prepare an annual unaudited accounting of the expenditures of the Marketing Fund which will be provided to you upon your written request. There have been no Marketing Fund expenditures as of the date of this Disclosure Document. **(Franchise Agreement, Section 10.7)**

Initial Training Program

We will provide an Initial Training Program in the Stickhouse System and methods of operation (the "**Initial Training Program**") at our training facilities in our corporate office and/or your Franchised Location. Your attendees must include the Operating Principal, General Manager, one Production Operator, one Sales Operator and one Technician, and may include other supervisorial or managerial personnel. If the Stickhouse Shop is the first Stickhouse Shop to be operated by you, we will provide training, instructors, a training manual, and other materials to you. The Initial Training Program will consist of approximately 14 days of training for a Full Shop or Factory, 7 days for a Sales Shop, 5 days for a Kiosk, 3 days for a Stick Truck, and one day for a Stick Cart or Corner, and each must be completed before the appropriate Stickhouse Shop opens for business. You must pay all travel, living, compensation, and other expenses incurred by your employees while attending the Initial Training Program. We will not provide the Initial Training Program if you or your affiliate currently owns or operates a Stickhouse Shop of the type for which you are signing -Franchise Agreement, or if the Franchise Agreement is executed as a renewal Franchise Agreement. (**Franchise Agreement, Section 6.1**). Our respective obligations for your Initial Training Program may vary depending upon the type or types of Stickhouse Shops you operate.

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INITIAL TRAINING PROGRAM

(Example: Full Shop or Factory)

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
History and heritage of the Brand	2	0	Los Angeles, California, and your Stickhouse Shop
Guiding Principles	2	0	Los Angeles, California, and your Stickhouse Shop
Orientation to Daily Team Member Operations	5	0	Los Angeles, California, and your Stickhouse Shop
Inventory and Labor Management	3	4	Los Angeles, California, and your Stickhouse Shop
Machines Operations – Technical Class	3	12	Los Angeles, California, and your Stickhouse Shop
Machines / working environment cleaning and sanitizing	2	6	Los Angeles, California, and your Stickhouse Shop
Gelato/Sorbet Mix preparation	1	7	Los Angeles, California, and your Stickhouse Shop
Gelatos/Sorbets production	1	7	Los Angeles, California, and your Stickhouse Shop
Cupido and multi-flavor gelatos/sorbets production	1	7	Los Angeles, California, and your Stickhouse Shop
Merenda/Delizia/Pearls/ Stick Shake/Cioco Stick production	1	7	Los Angeles, California, and your Stickhouse Shop
Perfetto production	1	7	Los Angeles, California, and your Stickhouse Shop
Total	**22**	**57**	

The primary instructional material for the Initial Training Program will be the Manuals. There will be no additional charge for training materials. The Initial Training Program will be supervised by Ismar Toromanovic whose experience with us and in the subjects covered by the Initial Training Program is described in Item 2 of this Disclosure Document. Our trainers will be Ismar Toromanovic, Luna Varone, and Shane Soper. Mr. Toromanovic has ~~10~~11 years of operations experience and ~~4~~5 years of experience working with the Parent Company. -Ms. Varone has ~~15~~16 years of experience in gelato production and one year of experience working with the Stick House brand. -Mr. Soper has ~~7~~8 years of experience in coffee production. Training will be conducted as often as necessary to ensure that franchisees complete training before their Stickhouse Shop opens for business.

Your Operating Principal and General Manager must faithfully attend all phases of the Initial Training Program and complete it to our satisfaction, as certified by us in writing. Your or their failure to successfully complete any aspect of the Initial Training Program, as we determine in our sole discretion, constitutes grounds for termination of your Franchise Agreement. (**Franchise Agreement, Sections 6.1 and 7.2**). We may allow you to retake the Initial Training Program in our sole discretion. You must pay expenses of travel, lodging, meals and wages incurred by you or your employees while attending any of our training programs.

On-Site Assistance

For your Shop opening, beginning 5 days before and continuing 2 days after the Shop opens to the public, we will provide on-site training and assistance to your Operating Principal, General Manager and other supervisorial or managerial employees. We will determine the representative(s) providing the on-site training and the length of time that on-site training is provided. We may require you to attend remedial or additional assistance and training. (**Franchise Agreement, Section 6.3**). Our respective obligations for on-site assistance for your Stickhouse Shop may vary depending upon the type or types of Stickhouse Shops you operate.

Additional Training Program

In our discretion, we may provide you or your Operating Principal, General Manager, or other supervisorial or managerial personnel with additional training programs ("**Additional Training Programs**"). You must pay all transportation costs, food, lodging and similar costs incurred in connection with your attendance at the Additional Training Programs. (**Franchise Agreement, Section 6.2**). Our respective obligations for Additional Training Programs may vary depending upon the type or types of Stickhouse Shops you operate.

Annual Franchise Conference

We may hold an Annual Franchise Conference for all Stickhouse franchisees each year. The Operating Principal and each General Manager must attend the Annual Franchise Conference. You must pay us a Franchise Conference Fee of $500 to reimburse us for a portion of the direct costs to provide the Annual Franchise Conference. You must pay the Franchise Conference Fee upon demand at 30 days before the date of the Annual Franchise Conference, whether or not you attend the Annual Franchise Conference. (**Franchise Agreement, Section 7.21**)

ITEM 12
TERRITORY

Franchise Agreement

You will be permitted to operate your Stickhouse Shop at a specific location which we accept, as described in the Franchise Agreement (**Exhibit A**). You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution that we control. Our acceptance of your Franchised Location will be based upon a variety of factors which may include the viability of the then-current location and demographics including number of households, household income, vehicular traffic, and number of Stickhouse Shops near the proposed new location. You may face competition from other Stickhouse Shops that we or our affiliate franchise or own and that operate at traditional sites.

If you purchase a franchise for a Full Shop, a Sales Shop, a Corner or a Kiosk, you will be granted a protected territory ("**Protected Area**"), as described in the Franchise Agreement. We are not required to grant you a minimum territory. We will establish your Protected Area when we approve the Franchised Location. Provided you are not in default under your Franchise Agreement, we will not own, operate, sell or issue a Stickhouse Shop franchise to another franchisee in your Protected Area. There are no other radius restrictions or minimum population requirements that limit where we can franchise or operate another Stickhouse Shop. We will set forth your Protected Area in your Franchise Agreement. Your Protected Area may be limited to the actual site of the Franchised Location, range to a radius of up to 15 miles from the Franchised Location or include an area with a population of up to 40,000 people. We will consider the demographics, population, traffic patterns, potential trade area and other relevant information of an approved site when we establish your Protected Area.

If you purchase a franchise for a Stick Cart or a Stick Truck, you will be granted a Designated Territory as described in the Franchise Agreement.

You may not relocate your Full Shop, a Sales Shop, a Corner or a Kiosk to any other location without our prior written consent. If we approve any relocation of your Full Shop, a Sales Shop, a Corner or Kiosk, you must pay us a fee of $2,500 and de-identify the former location. If you fail to de-identify your former Stickhouse Shop, you must reimburse and indemnify and hold us harmless from all costs and expenses, including ~~attorney's~~attorneys' fees, arising out of your failure to de-identify.

We expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Stickhouse Shops outside of your Protected Area, (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including a beverage and snack or food business, other than a competitive business, under marks and systems different from the Stickhouse Marks and the Stickhouse System at any location regardless of their proximity to your Stickhouse Shop, (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Stickhouse branded products at any location, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods, (iv) market on the Internet and use the Stickhouse Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media, and (v) own or operate and to franchise or license others to own or operate Stickhouse Shops at any Non-Traditional Venue within and outside of your Protected Area regardless of their proximity to your Stickhouse Shop. We are not required to pay you any compensation if we exercise any of the rights specified above. "**Non-Traditional Venues**" mean a broad variety of atypical sites, including but not limited to a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings including business complexes, airports and international chains (hotels, restaurants, coffees or similar) with more than 50 sale points worldwide.

You may not advertise or solicit business outside of your Protected Area.

Under the Franchise Agreement, continuation of your location rights does not depend upon the volume of sales generated or on your penetration of the market potential. You do not have the right to acquire additional franchises, options, rights of first refusal or similar rights to acquire additional franchises, although you may apply for the right to operate additional Stickhouse Shops under separate Franchise Agreements.

Area Development Agreement

Under the Area Development Agreement, we grant you the right to develop and operate a specified number of Stickhouse Shops at venues in a specified Development Area, subject to our approval. We will approve the location of each Stickhouse Shop to be developed before each Franchise Agreement is signed, and our then-current standards for approving sites and determining Protected Areas will apply.

The Development Area may be one or more cities, counties, states, or some other defined area. During the term of the Area Development Agreement, we will not operate or grant a license or franchise to any other person to operate a Stickhouse Shop in your Development Area.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution that we control. We expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Stickhouse Shops outside the Development Area, regardless of their proximity to the Development Area, (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including a beverage and snack or food business, other than a competitive business, under marks and systems different from the Stickhouse Marks and the Stickhouse System within and outside the Development Area, (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Stickhouse branded products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods, (iv) market on the Internet and use the Stickhouse Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media, and (v) own or operate and to franchise or license others to own or operate Stickhouse Shops at any Non-Traditional Venue within and outside of the Development Area regardless of their proximity to any Stickhouse Shops developed or under development by you. Until the termination or expiration of the Area Development Agreement, you retain your right of exclusivity in your Development Area if you comply with your development and other obligations under the Area Development Agreement.

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, or commit a material breach of any Franchise Agreement signed by you under the Area Development Agreement, or a material breach of any other agreement between you and us, we may terminate your right to develop, open and operate new Stickhouse Shops in the Development Area. The termination of your right to develop Stickhouse Shops in your Development Area, however, will not terminate any rights granted under the Franchise Agreements then in effect between you and us, absent a breach of the Franchise Agreement itself. After the expiration of the term of your Area Development Agreement, we may own, operate, franchise or license others to operate additional Stickhouse Shops anywhere, without restriction, including in your Development Area, subject only to the territorial rights reserved to you in the individual Franchise Agreements.

If you wish to further develop Stickhouse Shops in the Development Area, you must notify us in writing no more than 12 months nor fewer than 9 months before the expiration of your Area Development Agreement. If we believe that the renewal development obligation proposed by you is acceptable, we will deliver our then-current Area Development Agreement to you. If the proposed additional development obligation is not acceptable to us, we will agree to negotiate with you in good faith for 60 days to try to agree upon a mutually acceptable development schedule. If you do not exercise your right to sign a new Area Development Agreement, we may own, operate, franchise or license others to operate additional Stickhouse Shops in your Development Area subject only to the territorial rights reserved to you in the individual Franchise Agreements.

ITEM 13
TRADEMARKS

As a Franchisee, you are licensed to use and display the trade name "**Stickhouse**" and the marks using them, during the term of your Franchise Agreement and only for the operation of your Stickhouse Shop and the sale of products described on the Stickhouse standard menu. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us or our affiliate. The Parent Company is the owner of all rights, titles and interests in the Stickhouse Marks. The following principal marks have been registered by the Parent Company on the Principal Register of the United States Patent and Trademark Office ("**USPTO**") and will be used by the Stickhouse System.

MARK	~~Filing Date~~	REGISTRATION ~~Date~~NUMBER	REGISTRATION ~~Number~~DATE	
~~Stickhouse~~ Stickhouse		~~October 29, 2010~~4,524,042	May 6, 2014	~~4524042~~
~~Stickhouse~~ Stickhouse		~~October 29, 2010~~4,524,043	May 6, 2014	~~4524043~~

The Parent Company has issued Master Franchisor a 10 year license to use and sublicense the Stickhouse Marks for the sale and administration of Stickhouse Shops within the United States. The license does not limit our right to use or license the use of any of the trademarks in any manner material to the franchise. If the license is terminated, you may have to switch to a different trademark, which may increase your expenses. On May 1, 2015, Master Franchisor and Operating Company entered into a Subfranchise Agreement under which Master Franchisor granted the Operating Company (i) the right and obligation to develop, own and operate Stickhouse Shops in the State of California; and (ii) the right and obligation to grant subfranchises to qualified third parties to develop, own and operate Stickhouse Shops in the State of California under individual Franchise Agreements and Area Development Agreements with the Operating Company. -On February 15, 2016, the Operating Company assigned the Subfranchising Rights to us, and the Master Franchisor consented to the assignment.- No other agreements are currently in effect that limit our use of the trademarks in any manner material to the franchise.

The Parent Company claims common law rights to the trade and service marks we license to you. The Parent Company will file all required affidavits when they become due, as prescribed by law.

There are currently no effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any opposition or cancellation proceeding, or any pending litigation involving the trade name Stickhouse or the licensed marks. We are not aware of any agreements currently in effect that significantly limit our rights to use or license the use of the principal trademarks that are material to the franchise, nor are there any prior superior rights or infringing uses actually known to us that could materially affect your use of the licensed trade name, trademarks, or service marks. We have not, however, conducted an exhaustive search of users of names which may be the same or similar to the Stickhouse Marks.

You must use the trade name Stickhouse without any suffix or prefix attached to it to identify your Stickhouse Shop. You are prohibited from using our trade name, trademarks, or service marks as part of any corporate name or using the Stickhouse trade name with any prefix, suffix, or other modifying words, terms, designs, or symbols. You are obligated to file a fictitious business name statement and do all other things necessary to prevent the use of the Stickhouse trade name, trademarks, or service marks by you from diminishing or destroying the legal protection to which they are entitled.

You must notify us of any infringement of, challenge to, or unauthorized use of the licensed name or the Stickhouse Marks that comes to your attention, including any claim, suit or demand against you. We may take actions we deem appropriate to protect our name or the Stickhouse Marks but we are not obligated by the Franchise Agreement to do so.

The Parent Company, Master Franchisor and we have the sole right to control any litigation involving the Stickhouse Marks and to compromise or settle any claim, in our discretion, at their sole cost and expense, using lawyers of their own choosing, and you must cooperate fully in defending any claim, and 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. You agree in the Franchise Agreement not to contest, directly or indirectly, the respective rights of the Parent Company, Master Franchisor and our right, title, or interest in the Stickhouse Marks, or contest the Parent Company's right to register, use, or license others to use those names and the Stickhouse Marks.

The Parent Company may add to, delete, or modify any or all of the Stickhouse Marks. You must modify or discontinue the use of the Stickhouse Marks, at your expense, if the Parent Company modifies or discontinues it. The Parent Company will not compensate you if it modifies or discontinues the Stickhouse Marks.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any rights in or to any patents. There are no pending patent or copyright applications that are material to the franchise. We have no registered copyrights, but we claim copyright protection for the Manuals and all advertising material that may be distributed by us. We will loan you one copy of the Manuals for confidential use in the Stickhouse Shop. You may not disclose, publish, sell, show, or reproduce the Manuals and you must return the Manuals to us intact upon termination or expiration of the Franchise The Parent Company regards its recipes, its- particular method of producing ice cream on a stick, cold and hot beverages, sweets, chocolates, salad delicacies and ancillary related products for dine-in and take-away consumption and operating an ice cream shop, and all the information contained in the Manuals, as proprietary information. You agree, as part of the Franchise Agreement, not to contest the Parent Company's exclusive ownership of the copyrights, trade secrets, recipes, processes, methods, procedures, formulae, techniques, and other proprietary information to which it claim exclusive rights. You are not given any rights in other trade secrets or proprietary or confidential information developed by the Parent Company or us in the future. You must implement any reasonable procedures we and/or the Parent Company may adopt to protect the trade secrets including restrictions on disclosures to your employees and requiring employees who will have access to our trade secrets to sign an agreement containing non-disclosure and non-competition provisions in substantially the form of **Exhibit E**. None of the provisions in the Confidentiality and Non-Disclosure Agreement are intended to prohibit or restrict any activity which prohibition or restriction violates your employees' rights to engage in protected concerted activity under the National Labor Relations Act.

There are no prior superior rights or 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 copyrights in any manner.

All ideas, concepts, techniques or materials you create while you are a Stickhouse franchisee, whether or not protectable intellectual property, must be promptly disclosed to us and will become the Parent Company's exclusive property and a part of Stickhouse System as a work made for hire without compensation to you.

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

You must designate an Operating Principal acceptable to us who will be responsible for the operational decisions of your Stickhouse Shop. Your Operating Principal must devote his or her full time to the Stickhouse Shop and must own at least a 10% interest in your equity and voting rights (unless you are a publicly held entity or a wholly-owned subsidiary of a publicly-held entity) when you sign the Franchise Agreement. Under certain circumstances we may waive the requirement that your Operating Principal must have a 10% interest in your equity and voting rights. You must provide comprehensive initial training programs, additional training programs and remedial training programs for your other employees and ensure that the Stickhouse Shop is at all times under the direct control of the Operating Principal or a General Manager and other employees fully trained by you. Your Operating Principal and each General Manager must successfully complete the ServSafe Food Safety Certification Program. We may require each of your owners and supervisorial and managerial employees who will have access to any confidential information to sign a Confidentiality and Non-Disclosure Agreement in a form acceptable to us.

All present and future owners of the equity or your voting rights, including spouses (and family members who live in the same household, with the exception of minor children) must execute a written guarantee in a form we prescribe, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of your obligations to us and to our affiliate. Upon each transfer or assignment of your interest in the Franchise Agreement, or other change in your ownership interests, and at any other time we request, these holders must re-execute a written guarantee in a form we prescribe.

Your obligations for operating and training for your Stickhouse Shop may vary depending upon the type or types of Stickhouse Shops you operate.

All employees you hire or employ at your Stickhouse Shops will be your employees and your employees alone, and will not, for any purpose, be deemed to be our employees or subject to our direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. -You will file your own tax, regulatory and payroll reports, and be responsible for all employee benefits and ~~workers~~workers' compensation insurance payments for your employees and operations. We will not have the power to hire or fire your employees. Our authority under the Franchise Agreement to train and approve your supervisorial or managerial personnel for qualification to perform certain functions at your Stickhouse Shops does not directly or -indirectly -vest -us with -the -power -to -hire, -fire -or -control -any -of your personnel. You and you alone will be solely responsible for all hiring and employment decisions and functions relating to the Stickhouse Shops, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from us on these subjects or not. Any guidance we may give you regarding employment policies should be considered merely examples. You will be responsible for establishing and implementing your own employment policies, and should do so in consultation with local legal counsel experienced in employment law.

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ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Except as described below, you must offer and sell all, and only, those goods and services that we approve (See Item 8). We may add, delete, and change menu items that you may or must offer, in our unrestricted discretion, and this may require you to purchase additional equipment. The menu items that you may or must offer may vary depending upon the type or types of Stickhouse Shops you operate. There are no limits on our right to make changes. The Stickhouse Shop must, at all times, be directly supervised by the Operating Principal or a General Manager who has successfully completed our training program. We have the right to approve the General Manager. The General Manager does not need to have an ownership interest in an entity franchisee. We may require your General Manager and others who will have access to our trade secrets and other confidential information to sign a confidentiality and Non-Disclosure Agreement in a form acceptable to us.

You may not operate any co-branding system without our prior written consent, which may be withheld unless we recognize the co-branding chain as an approved co-brand for operation within Stickhouse Shops. "**Co-branding**" includes the operation of an independent business, product line or operating system owned or licensed by another franchisor that is featured or incorporated within the Franchised Location or is adjacent to the Franchised Location and is operated in a manner likely to cause the public to perceive that it is related to your Stickhouse Shop.

We may, on occasion, require you to test market products and/or services at your Stickhouse Shop. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations established by us.

No vending, gaming machines, payphones, automatic teller machines, Internet kiosks or other mechanical or electrical devices are permitted in your Stickhouse Shop without our prior written consent.

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ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and Area Development Agreement. You should read these provisions in the agreements attached to this Disclosure Document.~~As described in Item 1, if you are signing your Franchise Agreement under an existing Area Development Agreement or with the renewal of an existing Franchise, some of these provisions may be modified to conform to the terms specified in your Area Development Agreement or your existing Franchise Agreement, as applicable.~~

FRANCHISE AGREEMENT

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
a. Length of the term of the franchise	Section 3.1	5 years
b. Renewal or extension of the term	Section 3.2	5 years
c. Requirements for Franchisee to renew or extend	Sections 3.2 – 3.4	You must notify us if you wish to renew no more than 12 months nor fewer than 9 months prior to the expiration date of your Franchise renew or extend Agreement, have complied with your obligations during the term of your Franchise Agreement, at our request, renovate, refurbish, or modernize your Stickhouse Shop to comply with our then-current standards for a new Stickhouse Shop, sign our then-current form of Franchise Agreement that may contain terms and conditions materially different from those in your original Franchise Agreement, satisfy our then-current training requirements, pay a renewal fee, sign a general release, and provide us with a guarantee signed by all equity owners of the franchisee and their spouses (if the franchisee is an entity). The royalty and other payments under your renewal Franchise Agreement will be at the rates then applicable to new franchisees.
d. Termination by Franchisee	Not Applicable	Not Applicable
e. Termination by Franchisor without cause	Not Applicable	Not Applicable

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
f. Termination by Franchisor with cause	Sections 16.1 – 16.3 and 16.5	We can terminate the Franchise Agreement If you materially default under your Franchise Agreement, any other individual Franchise Agreement, any Area Development Agreement (other than solely for your failure to meet your development obligation), or any other agreement between you and us.
g. "**Cause**" defined – curable defaults	Section 16.3	You have 5 days to cure non-payment of fees and 10 days to cure non-compliance with laws and defaults not listed in Section 16.2.
h. "**Cause**" defined non-curable defaults	Sections 16.1 and 16.2	Non curable defaults include bankruptcy, foreclosure, and insolvency, abandonment, unapproved transfers, repeated defaults, even if cured, misrepresentations in acquiring your license, health or safety violations, trademark misuse, conviction of a felony, failure, for a period of 10 days after notification of noncompliance, to comply with any state or local law or regulation applicable to the operation of the Stickhouse Shop, knowingly maintaining false books or records or submitting false reports or knowingly underreporting gross sales, materially misusing the Stickhouse Marks, making an unauthorized use of the trade secrets or confidential information, failing to purchase appropriate inventory, failure to meet the site selection requirements, enter a Lease or open the Stickhouse Shop within the applicable time periods provided for in the Franchise Agreement, purchasing products from non-approved suppliers, and a breach of your obligations under the Franchise Agreement or any other agreement between you and us that is not capable of being cured by you.
i. Franchisee's obligations on termination/nonrenewal	Sections 17.1 – 17.5, 17.8 and 17.9	You must cease use of our trademarks, de-identify the Stickhouse Shop, pay all amounts due to us, and return the Manuals. You must pay us the sum of 2 multiplied by the total royalty fees paid (or if unpaid, payable) by you during the 12 months immediately preceding the effective date of termination to account for the actual damages that we will suffer as a result of the termination of the Franchise

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
		Agreement during the period that we estimate will expire while we search for a replacement franchise. We may, at our option, assume all telephone numbers for the Stickhouse Shop. You must, at our option, cancel or assign to us your rights to any Internet websites or webpages or e-mail addresses or assumed, fictitious or corporate names which contain the Stickhouse Marks. See also "r" below.
j. Assignment of contract by Franchisor	Section 14.1	No restriction on our right to assign.
k "**Transfer**" by Franchisee – definition	Section 14.2	Includes transfer of the Franchise Agreement or change in ownership of the business entity that owns it.
l. Franchisor's approval of transfer by Franchisee	Section 14.2	Transfers require our prior written consent, which will not be unreasonably withheld.
m. Conditions for Franchisor's approval of transfer	Sections 14.2, 14.4	The proposed transferee must qualify, pay for and successfully complete our initial training program, sign our then-current Franchise Agreement (provided, that the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement), provide us with a guarantee signed by all equity owners of the proposed franchisee and their spouses (if the proposed franchisee is an entity) and you must be in good standing, sign a general release, sign a guarantee of the transferee's obligations under the new Franchise Agreement in our favor and pay the transfer fee. See also "r" below. If the Franchise Agreement has been signed under an Area Development Agreement, except as described below, you must concurrently assign all other existing Franchise Agreements to the same assignee.
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 14.3	We can match any offer for your business.
o. Franchisor's option to purchase Franchisee's business	Section 17.6	When your Franchise Agreement expires or is terminated, we have the option to purchase the assets of the Stickhouse Shop and all of your assets related to the Stickhouse Shop.

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
p. Death or disability of Franchisee	Section 14.5	Your spouse, heirs or personal representative has 180 days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions.
q. Non-competition covenants during the term of the franchise	Section 15.2	You are prohibited from (i) diverting any present or prospective Stickhouse customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the Stickhouse Marks and the Stickhouse System, (ii) employing or seeking to employ any person who is or has been within the ~~previous~~preceding 30 days employed by us or our affiliate as a salaried managerial employee, or otherwise inducing the person to leave his or her employment, or (iii) owing or having any interest in a competitive business to the Stickhouse Shop business.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.3	For 2 years following the expiration or termination of your Franchise Agreement, you cannot own or have any interest in a competitive business located at the Franchised Location or within a -20 mile radius- of any Stickhouse Shop or the Franchised Location. If you violate the post-term covenant not to compete, you must pay us, throughout the 2 year period following the termination, transfer, or expiration of your Franchise Agreement, 10% of the gross revenue of any business which provides similar services or products at the Franchised Location or within a 20 mile radius of any Stickhouse Shop or the Franchised Location.
s. Modification of the agreement	Sections 6. 4, 21.5	The Manuals are subject to change. You must comply with any changes set forth in the Manuals. All modifications to the Franchise Agreement must be in writing and signed by both parties.
t. Integration/ merger clause	Section 21.5	Only the terms of the Franchise Agreement and its ~~attachments~~exhibits are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
		the Franchise Agreement or in any related exhibit is intended to disclaim the representations we made in this Disclosure Document.
u. Dispute resolution by mediation	Section 19.1	We must first attempt to resolve all disputes by mediation in Los Angeles County, California, except for certain matters which may be brought in court.
v. Choice of forum	Section 19.2	All proceedings will be held in Los Angeles County, California, subject to applicable state law. See the State Specific Addenda (**<u>Exhibit G</u>**) attached to this Disclosure Document.
w. Choice of law	Section 19.2	California, subject to the exception provided in Section 19 2 of the Franchise Agreement and applicable state law. See the State Specific Addenda (**<u>Exhibit G</u>**) attached to this Disclosure Document.

<u>AREA DEVELOPMENT AGREEMENT</u>

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
a. Length of the term of the Area Development	Section 3.1	5 years or the date you sign the Franchise Agreement for the last Stickhouse Shop necessary to satisfy your development obligations, whichever is earlier.
b. Renewal or extension of the term	Section 3.2	5 years
c. Requirements for Area Developer to renew or extend	Sections 3.2 – 3.4	You must notify us if you wish to renew no more than 12 months nor fewer than 9 months prior to the expiration date of your Area Development Agreement, sign our then-current Area Development Agreement, which will contain your additional development obligations during the renewal term, you must sign a general release, you may be asked to sign a Franchise Agreement that contains terms and conditions materially different from those in your previous agreements, you must have fulfilled all of your obligations under the Area Development Agreement, you must demonstrate your financial ability to

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
		implement and complete your renewal development obligations, and you must pay the renewal fee.
d. Termination by Area Developer	Not Applicable	Not Applicable
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with "**cause**"	Section 11.5	We can terminate the Area Development Agreement if you default under your Area Development Agreement, under an individual Franchise Agreement, or under any other agreement between you or your affiliate and us.
g. "**Cause**" defined - curable defaults	Section 11.3	You have 30 days to cure defaults under your Area Development Agreement, and in the case of a breach or default in the performance of your obligations under any Franchise Agreement or other agreement between you and us, the notice and cure provisions of the Franchise Agreement or other agreement will control.
h. "**Cause**" defined - non-curable defaults	Sections 11.1 and 11.2	Non-curable defaults include bankruptcy, insolvency, unapproved transfers, failure to meet your development obligations, any breach of the covenants not to compete set forth in Section 13, repeated defaults, even if cured, unapproved transfers, termination of any of your Franchise Agreements, conviction of a felony, disclosure of confidential information, and a breach of your obligations under the Area Development Agreement or any other agreement between you and us that is not capable of being cured by you.
i. Area Developer's obligation on termination/non-renewal	Sections 12.1, 12.4 and 12.5	You will have no further right to develop or operate additional Stickhouse Shops which are not, at the time of termination, the subject of a then validly existing Franchise Agreement between you and us. You may continue to own and operate all Stickhouse Shops under then validly existing Franchise Agreements.
j. Assignment of contract by Franchisor	Section 9.1	No restrictions on our right to assign.
k. "**Transfer**" by Area Developer – defined	Section 9.2	Includes transfer of the agreement or changes in ownership of the business entity which owns it. No shares of an Area Developer which is a business entity may be offered for sale through

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
		the public offering of securities. Shares may be offered by private offering with our prior written consent.
l. Franchisor's approval of transfer by Area Developer	Section 9.2	Transfers require our prior written consent, which will not be unreasonably withheld.
m. Conditions for Franchisor's approval of transfer	Sections 9.2.1 and 9.4	Except as described below, you may not transfer any Franchise Agreement signed under the Area Development Agreement except with our written consent and a simultaneous assignment of the Area Development Agreement and all of the Franchise Agreements signed under the Area Development Agreement to the same assignee. The proposed buyer must sign our then-current form of Franchise Agreement for each of your Stickhouse Shops then developed or under development. The proposed transferee must qualify as a franchisee and sign our then-current Area Development Agreement and provide us with a guarantee signed by all equity owners of the proposed franchisee and their spouses (if the proposed transferee is an entity) and you must be in good standing, sign a general release, sign a guarantee of the transferee's obligations under new Area Development Agreement and pay the transfer fee. See also "r" below.
n. Franchisor's right of first refusal to acquire Area Developer's business	Section 9.3	We may match any offer to purchase your business.
o. Franchisor's option to purchase Area Developer's business	Not Applicable	Not Applicable
p. Death or disability of Area Developer	Section 9.5	Your spouse, heirs or personal representative have 180 days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions.
q. Non-competition covenants during the term of the franchise	Section 13.2	You are prohibited from (i) diverting any present or prospective Stickhouse customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
		Stickhouse Marks and the Stickhouse System, (ii) employing or seeking to employ any person who is or has been within the ~~previous~~preceding 30 days employed by us or our affiliate as a salaried managerial employee, or otherwise inducing the person to leave his or her employment, or (iii) owning or having any interest in a competitive business to the Stickhouse Shop business.
r. Non-competition covenants after the franchise is terminated or expires	Section 13.3	For 2 years following the expiration or termination of your Area Development Agreement, you cannot own or have any interest in any competitive business located at a Franchised Location, except under another effective Franchise Agreement with us, or any location within a 20 mile radius of any Stickhouse Shop or a Franchised Location.
s. Modification of the Area Development Agreement	Section 18.5	The Area Development Agreement can be modified or amended only by written agreement of all of the parties.
t. Integration/merger clause	Section 18.5	Only the terms of the Area Development Agreement and its ~~attachments~~exhibits are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Area Development Agreement may not be enforceable. Nothing in the Area Development Agreement or in any related exhibit is intended to disclaim the representations we made in this Disclosure Document.
u. Dispute resolution by mediation	Section 15.1	We must first attempt to resolve all disputes by mediation in Los Angeles County, California, except for certain matters which may be brought in court.
v. Choice of forum	Section 15.2	All proceedings will be held in Los Angeles County, California, subject to applicable state law. See the State Specific Addenda (**Exhibit G**) attached to this Disclosure Document.
w. Choice of law	Section 15.2	California, subject to the exception provided in Section 15-.2 of the Area Development Agreement and applicable state law. See the State Specific Addenda (**Exhibit G**) attached to this Disclosure Document.

ITEM 18
PUBLIC FIGURES

No compensation or other benefit is given or promised to a public figure for the use of a public figure in the name or symbol of the Stickhouse Shop or the endorsement or recommendation of the Stickhouse Shop by a public figure in advertisements. You do not have the right to use the name of any public figure in promotional efforts or advertising without prior written approval from us. No public figures are involved in the actual management or control of Gelatoro Franchising, LLC.

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 of a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ismar Toromanovic, Gelatoro Franchising, LLC, ~~620 North La Brea Avenue, Inglewood~~ 7095 Hollywood Boulevard, Suite 1008, Hollywood, California ~~90301~~90028; Telephone: 323-~~447-9298~~770-2626, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

~~MASTER FRANCHISOR~~
GELATORO FRANCHISING, LLC

TABLE 1
SYSTEM-WIDE SHOP SUMMARY FOR FISCAL YEARS ~~2013~~2014 TO ~~2015~~2016

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised				
	~~2013~~	~~0~~	~~0~~	~~0~~
	~~2014~~	~~0~~	~~0~~	~~0~~
	~~2015~~	~~0~~	~~0~~	~~0~~
~~Company-Owned~~				
	~~2013~~	~~0~~	~~0~~	~~0~~
	2014	0	0	0
	2015	0	0	0
	2016	0	2	+2
Company-Owned				
	2014	0	0	0
	2015	0	1	+1
	2016	1	2	+1
Total Outlets				
	2014~~2013~~	0	0	0
	~~2014~~2015	0	~~0~~1	~~0~~+1
	2016~~2015~~	~~0~~1	~~0~~4	~~0~~+3

~~MASTER FRANCHISOR~~

GELATORO FRANCHISING, LLC

TABLE 2
TRANSFERS OF SHOPS FROM FRANCHISEES TO NEW OWNERS FOR FISCAL YEARS ~~2013~~2014 TO 2016~~2015~~

STATE	YEAR	NUMBER OF TRANSFERS
California		
	2014~~2013~~	0
	2015~~2014~~	0
	2016~~2015~~	0
Total		
	~~2013~~2014	0
	2015~~2014~~	0
	2016~~2015~~	0

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~~MASTER FRANCHISOR~~
GELATORO FRANCHISING, LLC

TABLE 3
STATUS OF FRANCHISED OUTLETS FOR FISCAL YEARS ~~2013~~2014 TO ~~2015~~2016

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
~~None~~California								
	2014~~2013~~	0	0	0	0	0	0	0
	2015~~2014~~	0	0	0	0	0	0	0
	~~2015~~2016	0	~~0~~2*	0	0	0	0	~~0~~2*
Total Outlets								
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	2*	0	0	0	0	2*

~~MASTER FRANCHISOR~~
*Includes 1 Stickhouse Kiosk located in Northridge, California that opened in January 2016 and which is operated by an Area Developer.

GELATORO FRANCHISING, LLC

TABLE 4
STATUS OF COMPANY-OWNED OUTLETS FOR FISCAL YEARS ~~2013~~2014 TO 2016~~2015~~

~~State~~	~~Year~~	~~Outlets at Start of Year~~	~~Outlets Opened~~	~~Outlets Reacquired From Franchisees~~	~~Outlets Closed~~	~~Outlets Sold to Franchisees~~	~~Outlets at End of the Year~~
~~None~~							

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California							
	~~2013~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	2014	0	0	0	0	0	0
	2015	0	1	0	0	0	1
	2016	1	1	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Total Outlets							
	2014	0	0	0	0	0	0
	2015	0	1	0	0	0	1
	2016	1	1	0	0	0	2

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	~~2015~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~Totals~~							
	~~2013~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2014~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2015~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~

~~MASTER FRANCHISOR~~
GELATORO FRANCHISING, LLC

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2016~~2015~~

~~State~~	~~Franchise Agreements Signed But Outlets Not Opened~~	~~New Franchised Outlets In The Next Fiscal Year~~	~~Projected New Company Owned Outlet In The Next Fiscal Year~~	~~Projected Area Developers In The Next Fiscal Year~~
~~California~~	~~0~~	~~1~~	~~0~~	~~0~~
~~Totals~~	~~0~~	~~1~~	~~0~~	~~0~~

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State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company Owned Outlet In The Next Fiscal Year
California	7	7	0
Total Outlets	7	7	0

MASTER FRANCHISOR – STICK HOUSE USA, LLC

TABLE 1
SYSTEM-WIDE SHOP SUMMARY FOR FISCAL YEARS ~~2013~~2014 TO 2016~~2015~~

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised				
	2014~~2013~~	0	0	0
	2015~~2014~~	0	~~0~~1	~~0~~+1
	2016~~2015~~	~~0~~1	~~0~~4	~~0~~+3
Company-Owned				
	~~2013~~2014	0	0	0
	2015~~2014~~	0	0	0
	2016~~2015~~	0	~~1~~0	~~1~~0
Total Outlets				
	~~2013~~2014	0	0	0
	2015~~2014~~	0	~~0~~1	~~0~~+1
	~~2015~~2016	~~0~~1	~~1~~4	~~1~~+3

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MASTER FRANCHISOR – STICK HOUSE USA, LLC

TABLE 2
TRANSFERS OF SHOPS FROM FRANCHISEES TO NEW OWNERS FOR FISCAL YEARS ~~2013~~2014 TO ~~2015~~2016

STATE	YEAR	NUMBER OF TRANSFERS
California		
	~~2013~~2014	0
	2015~~2014~~	0
	~~2015~~2016	0
Total		
	~~2013~~2014	0
	2015~~2014~~	0
	~~2015~~2016	0

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MASTER FRANCHISOR – STICK HOUSE USA, LLC

TABLE 3
STATUS OF FRANCHISED OUTLETS FOR FISCAL YEARS ~~2013~~2014 TO ~~2014~~2016

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
~~None~~California								
	~~2013~~2014	0	0	0	0	0	0	0
	2015~~2014~~	0	~~0~~1	0	0	0	0	~~0~~1
	2016	1	3	0	0	0	0	4
Totals								
	~~2015~~2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
	2016	1	3	0	0	0	0	4

MASTER FRANCHISOR – STICK HOUSE USA, LLC

TABLE 4
STATUS OF COMPANY-OWNED OUTLETS FOR FISCAL YEARS ~~2013~~2014 TO ~~2015~~2016

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
None							
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Totals							

~~State~~	~~Year~~	~~Outlets at Start of Year~~	~~Outlets Opened~~	~~Outlets Reacquired From Franchisees~~	~~Outlets Closed~~	~~Outlets Sold to Franchisees~~	~~Outlets at End of the Year~~
~~California~~							
	~~2013~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	2014	0	0	0	0	0	0
	~~2015~~	~~0~~	~~1~~	~~0~~	~~0~~	~~0~~	~~1~~
~~Totals~~							
	~~2013~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2014~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~

~~State~~	~~Year~~	~~Outlets at Start of Year~~	~~Outlets Opened~~	~~Outlets Reacquired From Franchisees~~	~~Outlets Closed~~	~~Outlets Sold to Franchisees~~	~~Outlets at End of the Year~~
	~~2015~~	~~0~~	~~1~~	~~0~~	~~0~~	~~0~~	~~1~~

	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0

MASTER FRANCHISOR – STICK HOUSE USA, LLC

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, ~~2015~~2016

State	Franchise Agreements Signed But Outlets Not Opened	New Franchised Outlets In The Next Fiscal Year	Projected New Company Owned Outlet In The Next Fiscal Year	Projected Area Developers In The Next Fiscal Year
~~State~~	~~Franchise Agreements Signed But Outlets Not Opened~~	~~New Franchised Outlets In The Next Fiscal Year~~	~~Projected New Company Owned Outlet In The Next Fiscal Year~~	~~Projected Area Developers In The Next Fiscal Year~~
~~California~~	~~0~~	~~1~~	~~0~~	~~0~~
Texas	0	1	0	0
Totals	0	1	0	0

~~We have no franchisees as of the date of this Disclosure Document.~~A list setting forth the names of all Stickhouse franchisees and the addresses and telephone numbers of all of their Stickhouse Shops is attached as **Exhibit J**. No franchisee had their Franchise Agreement terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business during the period January 1, 2016 through December 31, 2016. There are no franchisees who have not communicated with us within 10 weeks of the application date of this Disclosure Document.

There are no independent franchisee organizations that have asked to be included in this Disclosure Document.
~~During the last 3 fiscal years~~
Since our formation, we have not signed confidentiality clauses with current or former franchisees.

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

ITEM 21
FINANCIAL STATEMENTS

Our audited Financial Statement as of December 31, 2016 and our audited Balance Sheet as of January 15, 2016 ~~is~~are attached to this Disclosure Document as **Exhibit I**. The audited Financial Statements for Stickhouse USA, LLC as of December 31, 2016, December 31, 2015, and April 30, 2015~~ and as of December 31, 2015~~, are also attached as **Exhibit I**. Our fiscal year end is December 31.

ITEM 22
CONTRACTS

Attached as **Exhibit A** is a copy of our current form of Franchise Agreement.

Attached as **Exhibit B** is a copy of our current form of Area Development Agreement.

Attached as **Exhibit C** is a copy of our current form of Option to Obtain Lease Assignment.

Attached as **Exhibit D** is a copy of our current form of Confidentiality Agreement for Prospective Franchisees.

Attached as **Exhibit E** is a copy of our current form of Non-Disclosure and Confidentiality Agreement for Employees of Franchisee.

Attached as **Exhibit F** is a copy of our current form of General Release

Attached as **Exhibit H** is a copy of our current form of Franchise Compliance ~~Certificate~~Questionnaire.

ITEM 23
RECEIPT

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

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A
FRANCHISE AGREEMENT

GELATORO FRANCHISING, LLC

FRANCHISE AGREEMENT

GELATORO FRANCHISING, LLC
FRANCHISE AGREEMENT

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EXHIBITS

GELATORO FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of __________ (the "**Effective Date**"), by and between **GELATORO FRANCHISING, LLC**, a California limited liability company ("**Franchisor**"), on the one hand, and ______________________, a ____________________ ("**Franchisee**"), on the other hand, who are individually referred to in this Agreement as a "Party", and collectively referred to in this Agreement as "Parties", with reference to the following facts

A. Stick House Company srl, an Italian limited liability company ("**Parent Company**"), has developed the "**Stickhouse System**" for the establishment and operation of retail shops (the "**Stickhouse Shops**") that offer handmade ice cream on a stick, cold and hot beverages, sweets, chocolates, salad delicacies and ancillary related products for on-premises and off-premises consumption under the trade name and service mark "**Stickhouse**" and other related trademarks, service marks, logos and commercial symbols (the "**Stickhouse Marks**"). Parent Company has issued a license to Stick House USA LLC, a Delaware limited liability company ("**Master Franchisor**"), to use and sublicense the use of the Stickhouse System and the Stickhouse Marks for the sale of franchised Stickhouse Shops within the United States.

B. On May 1, 2015, Master Franchisor and Gelatoro, LLC, a California limited liability company ("**Operating Company**") entered into a Subfranchise Agreement under which Master Franchisor granted Operating Company (i) the right and obligation to develop, own and operate Stickhouse Shops in the State of California; and (ii) the right and obligation to grant subfranchises to qualified third parties to develop, own and operate Stickhouse Shops in the State of California under individual Franchise Agreements and Area Development Agreements with Operating Company (the "**Subfranchising Rights**"). -On February 15, 2016, Operating Company assigned the Subfranchising Rights to Franchisor, with Master Franchisor's consent.

C. Franchisee desires to obtain a license and franchise to operate a single Stickhouse Shop (the "**Stickhouse Shop**"), under the Stickhouse Marks and in strict accordance with the Stickhouse System, and the standards and specifications established by Parent Company, Master Franchisor, and Franchisor. Franchisor is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **DEFINITIONS**

The capitalized terms in this Agreement are assigned these definitions:

"**Abandon**" means (i) Franchisee's failure, at any time during the Term, to keep the Stickhouse Shop open and operating for business for a period of five (5) consecutive days, except as provided in the Manuals, (ii) Franchisee's failure to keep the Stickhouse Shop open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Stickhouse Shop, unless the failure to operate is due to Force Majeure (subject to Franchisee's continuing compliance with this Agreement), (iii) Franchisee's failure to actively and continuously maintain and answer the telephone number listed by Franchisee for the Stickhouse Shop solely with the Stickhouse name, (iv) the withdrawal of permission from the Landlord that results in Franchisee's inability to continue operation of the Stickhouse Shop at the Franchised Location, or (v) a closure of the Stickhouse Shop required by Applicable Law.

"**Affiliate**" or "**Affiliates**" mean any person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement. Control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise.

"**Applicable Law**" means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of the Stickhouse Shop that are in effect on or after the Effective Date, as they may be amended from time to time.

"**Approved Suppliers**" means suppliers of Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products, and ancillary services, food products, beverages, supplies, furniture, fixtures and equipment for Stickhouse Shops that have been accepted and approved by Franchisor because they have demonstrated to Franchisor their ability to supply products and services for Stickhouse Shops meeting Franchisor's specifications as to brand names, models, contents, manner of preparation, ingredients, quality, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. Franchisor and its Affiliates may be Approved Suppliers.

"**Authorized Stickhouse Products**" means all Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products offered for sale or used at Stickhouse Shops, as specified by Franchisor from time to time.

"**Co-Branding**" means the operation of an independent business, product line or operating system owned or licensed by another Entity (not Franchisor) that is featured or incorporated within the Stickhouse Shop or is adjacent to the Stickhouse Shop and operated in a manner likely to cause the public to perceive it is related to the Stickhouse Shop. An example would be an independent chocolate pralines shop or counter installed within the Stickhouse Shop.

"**Competitive Business**" means any, ice cream, frozen dessert shop or other type of business that prepares, offers and sells ice cream or frozen dessert as its primary menu item and any business that looks like, copies, imitates, or operates with similar trade dress or ~~decor~~décor to the Stickhouse Shop.

"**Constituents**" means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

"**Crisis Management Event**" means any event that occurs at or about the Stickhouse Shop that has or may cause harm or injury to customers or employees, including, without limitation, food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings or any other circumstance which may damage the Stickhouse System, the Stickhouse Marks, or the image or reputation of Franchisor and its Affiliates.

"**Designated Territory**" means the designated geographic area in the trade area of ~~your~~the Franchised Location that ~~you choose~~Franchisee chooses and ~~we accept~~Franchisor accepts in which Franchisee may operate a Stick Cart or the Stick Truck.

"**Default**" means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"**Entity**" means any limited liability company, partnership, trust, association, corporation or other entity, which is not an individual.

"**Equity**" means capital stock, membership interests, partnership rights or other Equity ownership interests of an Entity.

"**Expiration Date**" means the fifth (5th) anniversary of the Opening Date.

"**Force Majeure**" means any event (i) that was reasonably unforeseeable as of the Effective Date, (ii) that is beyond the reasonable control, directly or indirectly, of a Party, (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence, (iv) that does not result from the fault or negligence of that Party or its agents, employees or contractors, and (v) that causes performance by that Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, "**Force Majeure**" includes (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, not, or other a disturbance, (d) unilateral governmental action impacting ice cream or frozen dessert shops generally, and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy, or a party foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, contractor, or other person, or Franchisee's financial inability to perform or Franchisee's insolvency, shall be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure.

"**Franchisee Conference Fee**" means the fee Franchisee must pay Franchisor towards the cost of each Annual Franchise Conference held by Franchisor in the sum of $500.

"**Franchised Location**" means the site of the Stickhouse Shop as set forth on **Exhibit A**.

"**General Manager**" means an individual, acceptable to Franchisor, who is responsible for overseeing the operation of the Stickhouse Shop in the absence of the Operating Principal.

"**General Release**" means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Parent Company, Master Franchisor, Franchisor and their Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

"**Good Standing**" means Franchisee is in substantial compliance with the material requirements of this Agreement, the Manuals and all other agreements then in effect between Franchisor, or its Affiliates, and Franchisee, and has substantially cured each curable Default for which Franchisor has issued a Notice of Default to Franchisee within the time periods set forth in Article 16.

"**Governmental Authority**" means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"**Gross Sales**" means the total of all revenues derived from sales of any nature or kind whatsoever from the Stickhouse Shop during the Term, whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Stickhouse Shop although filled elsewhere. "Gross Sales" shall include the full value of drinks and snacks Franchisee provides to its employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the drinks and snacks were provided) and all proceeds from the sale of coupons, gift certificates or vouchers.

"Gross Sales" shall exclude the amount of bona fide refunds paid to customers and the amount of any sales or use taxes actually paid to any Governmental Authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

"**Initial Franchise Fee**" means the initial fee that Franchisee must pay Franchisor for the right to operate the Stickhouse Shop under this Agreement in the amount set forth on **Exhibit A**. There is no Initial Franchise Fee due for a Factory.

"**Initial Term**" means the five (5) year period commencing on the Opening Date and ending on the Expiration Date.

"**Initial Training Program**" means Franchisor's training program that Franchisor shall provide, before Franchisee Opens the Stickhouse Shop, for the supervisorial or managerial employees selected by Franchisee, who must include the Principal Owner, the General Manager, one production operator, one sales operator and one technician. Franchisor may provide this training program at other times during the Term, upon Franchisee's request, and by mutual arrangement of the Parties. Franchisor may modify the Initial Training Program at any time without notice.

"**Landlord**" means the owner of the Franchised Location who enters into a Lease with Franchisee for the Franchised Location.

"**Lease**" means any agreement, however denominated, that allows Franchisee to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Franchisee and a Landlord.

"**Manuals**" means Franchisor's operations and training Manuals and any other written directives related to the Stickhouse System, as they may be amended, issued and revised from time to time.

"**Marketing Fees**" means the fees that Franchisor may require Franchisee to pay to the Marketing Fund that Franchisor may elect to establish to promote the Stickhouse Marks and all Stickhouse businesses. Franchisor shall have the right to adjust the amount of the Marketing Fees at any time and from time to time during the Initial Term upon ninety (90) days' prior written notice from Franchisor to Franchisee, to an amount not to exceed two percent (2%) of Gross Sales.

"**Marketing Fund**" means the fund that Franchisor may elect to establish to promote the Stickhouse Marks and all Stickhouse businesses upon ninety (90) days' prior written notice from Franchisor to Franchisee.

"**Non-Proprietary Products**" means the food products, condiments, drink ingredients, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, POS Stickhouse Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Stickhouse Branded Products and Stickhouse Proprietary Products, that Franchisee may or must use, offer and sell at the Stickhouse Shop.

"**Non-Traditional Venues**" means a broad variety of atypical sites, including but not limited to a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings including business complexes, airports and international chains (hotels, restaurants, coffees or similar) with more than 50 (fifty) sale points worldwide.

"**Open**," "**Open for Business**," "**Opened**" and "**Opened For Business**" means that Franchisee actually has begun to offer Authorized Stickhouse Products for sale to the public from the Stickhouse Shop.

"**Opening Date**" means the day that (i) Franchisee receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at the Stickhouse Shop, and (ii)

Franchises actually begins to offer Authorized Stickhouse Products for sale to the public from the Stickhouse Shop, whichever occurs last.

"**Operating Principal**" means the individual designated by Franchisee on **Exhibit B**, and accepted by Franchisor, to serve as primary operator of the Stickhouse Shop, to serve as the authorized representative of Franchisee, who shall act as Franchisee's representative in all matters with Franchisor, as Franchisee's liaison with Franchisor and the Owners, and shall have the authority to act on behalf of Franchisee during the Term without the participation of any other Owner.

"**Owner**" means each of the individuals listed on **Exhibit B** and each future direct or indirect shareholder, member, general or limited partner, trustee or other Equity owner of Franchisee. If Franchisee is an Entity, each Owner and each Owner's spouse shall jointly and severally guarantee Franchisee's performance of its obligations in this Agreement under a Guarantee in the form of **Exhibit C**.

"**Recommended Suppliers**" means suppliers of Non-Proprietary Products who are recommended by Franchise to become Approved Suppliers.

"**Relocation Fee**" means the fee that Franchisee must pay Franchisor if Franchisee requests Franchisor to consent to a relocation of the Stickhouse Shop in the sum of $2,500.

"**Renewal Fee**" means the fee that Franchisee must pay Franchisor prior to executing a Franchise Agreement for the Renewal Term, which is $5,000 for a Full Shop, Sales Shop, or Kiosk, and $2,500 for a Stick Truck. There is no Renewal Fee required for a Factory, Stick Cart, or Corner.

"**Renewal Right**" means the right held by Franchisee to renew this Agreement for the Renewal Term before the Expiration Date.

"**Renewal Term**" means one (1) five (5) year period commencing on the Expiration Date and ending on the Renewal Term Expiration Date.

"**Renewal Term Expiration Date**" means the fifth anniversary of the commencement date of the Renewal Term.

"**Restricted Person**" means each and any of Franchisee, each of its Owners and Affiliates, the respective officers, directors, managers and Affiliates of each of them, and the spouse of each of the foregoing who are individuals.

"**Royalty Fees**" means the continuing monthly fees that Franchisee must pay Franchisor equal to eight percent (8%) of the Gross Sales of the Stickhouse Shop during the preceding month.

"**Stickhouse Branded Products**" means any product now existing or developed in the future that bears any of the Stickhouse Marks, including products that are prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, methods, standards and specifications, including pre-packaged food and beverage products, clothing, souvenirs and novelty items.

"**Stickhouse Franchise Agreements**" means Franchise Agreements between Franchisor and other Stickhouse Franchisees for Stickhouse Shops.

"**Stickhouse Franchisees**" means the parties who enter into Stickhouse Franchise Agreements with Franchisor to develop, own and operate Stickhouse Shops.

"**Stickhouse Proprietary Products**" means only those food products, beverages, packaging and other products which are produced or manufactured strictly in accordance with Trade Secrets or that Franchisor otherwise designates as proprietary.

"**Stickhouse Shops**" means and includes each of the following types of Stickhouse retail businesses, as designated by Franchisor: (i) a "**Full Shop**" is a dedicated retail outlet with a production room and on-site storage and sale areas on the premises or connected to the premises as specified in the Manuals; (ii) a "**Sales Shop**" is a dedicated retail outlet with a sales area without a production room as specified in the Manuals; (iii) a "**Kiosk**" is a single, sales-only site without a production room as specified in the Manuals; (iv) a "**Corner**" is a small sales-only site without a production room as specified in the Manuals within the existing commercial premises of another business; (v) a "**Stick Cart**" is a mobile, free standing retail sales-only unit as specified in the Manuals that may only be operated by Franchisee if Franchisee is currently operating a "**Full Shop**," "**Factory**," "**Sales Shop**", or "**Kiosk**"; (vi) a "**Stick Truck**" is a mobile, free standing retail sales-only truck as specified in the Manuals; and (vii) a "**Factory**" is a production facility without a retail area, as specified in the Manuals. -Franchisor and Franchisee acknowledge and agree that certain provisions of this Agreement may not be applicable to all types of Stickhouse Shops to be operated under this Agreement and that Franchisor and Franchisee may enter into addenda and/or amendments to this Agreement to define the various rights and obligations of each of the Parties which may vary from the terms of this Agreement depending upon the types of Stickhouse Shops Franchisee may be operating under this Agreement.

"**Stickhouse System**" means Franchisor's operating methods and business practices related to Stickhouse Shops, the relationship between Franchisor and its franchisees, the various types of Stickhouse Shops, interior and exterior Stickhouse Shop design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product offerings, recipes and preparation methods, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs, and Franchisor's website, all as Franchisor may modify the same from time to time.

"**Term**" means both the Initial Term and the Renewal Term of this Agreement.

"**Then-Current**" means (i) the form of agreement then-currently provided by Franchisor to similarly situated prospective Stickhouse Franchisees, which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Stickhouse Franchisee of Franchisor, or, as the context of this Agreement indicates, (ii) the fees then-currently charged by Franchisor for services provided by Franchisor.

"**Trade Secrets**" means proprietary and Confidential Information, including recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating the Stickhouse Shop and producing Authorized Stickhouse Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee's possession before receipt from Franchisor.

"**Training**" means the Initial Training Program, the Additional Training Programs, and any other training offered to Franchisee by Franchisor or Franchisor's Affiliates.

2. GRANT

2.1 Grant. Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Initial Term, to use and display the Stickhouse Marks and to use the Stickhouse System to operate one (1) Stickhouse Shop of the Type of Stick House Shop set forth on **Exhibit A** at, and only at, the Franchised Location, upon the terms and subject to the provisions of this Agreement and all ancillary documents binding Franchisor and Franchisee. Franchisee shall utilize the Franchised Location only for the operation of the Stickhouse Shop. Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for the right to operate the Stickhouse Shop or to use the Stickhouse System granted pursuant to this Agreement.

2.2 **Protected Area**. Except as provided in Section 2.3 ~~of this Agreement~~, during the Initial Term of this Agreement, and provided that Franchisee is not in Default of this Agreement or any other agreement between Franchisor or its Affiliates and Franchisee, Franchisor shall not own, operate, sell or issue a franchise for any other Stickhouse Shop within an area designated on **Exhibit A** (the "**Protected Area**"). Franchisee shall not receive an exclusive Territory. The license granted to Franchisee under this Agreement is nonexclusive, and except as provided in this Section 2.2 and **Exhibit A** to this Agreement, Franchisee shall have no territorial or protective rights, and Franchisor and its Affiliates shall have the right to place a company-owned or franchised Stickhouse Shop anywhere Franchisor desires without notice to Franchisee.

2.3 **Rights Reserved by Franchisor**. Franchisor and its Affiliates expressly reserve all other rights with respect to the Stickhouse System, the Stickhouse Marks and Shops, including the exclusive, unrestricted right, in its discretion, directly and indirectly, through its employees, Affiliates, representatives, licensees, assigns, agents and others, and through Parent Company and/or Master Franchisor, directly or indirectly, without paying Franchisee any compensation or granting Franchisee any rights in the same.

2.3.1 To develop, own and operate, and to grant franchises to third parties to develop, own and operate, Stickhouse Shops at any location outside of the Protected Area.

2.3.2 To develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including a beverage and snack or food business, other than a Competitive Business, under marks and systems different from the Stickhouse Marks and the Stickhouse System at any location regardless of their proximity to the Stickhouse Shop.

2.3.3 To sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Stickhouse Branded Products at any location, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods.

2.3.4 To market on the Internet and use the Stickhouse Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media.

2.3.5 To own or operate and to franchise or license others to own or operate other Stickhouse Shops at any Non-Traditional Venue within and outside of the Protected Area regardless of their proximity to Franchisee's Stickhouse Shop.

3. **INITIAL AND RENEWAL TERMS**

3.1 **Initial Term**. The Initial Term shall commence on the Effective Date and shall expire on the Expiration Date. If Franchisee does not elect to renew the Initial Term under Section 3.2, this Agreement shall expire on the Expiration Date.

3.2 **Renewal Right**. Upon the expiration of the Initial Term, Franchisee shall have the right (the "**Renewal Right**") to enter into a new franchise agreement in the form then generally being offered to prospective Stickhouse Shop franchisees (the "**Renewal Franchise Agreement**") for the Renewal Term. Franchisee shall pay Franchisor the Renewal Fee in the manner provided in Section 4.4. The Royalty Fees payable by Franchisee under the Renewal Franchise Agreement shall be identical to the Royalty Fees payable by new Stickhouse franchisees under their Then-Current Stickhouse Franchise Agreements. If

Franchisee desires to exercise the Renewal Right, Franchisee shall, no earlier than twelve (12) months and no later than nine (9) months prior to the Expiration Date, notify Franchisor in writing (the "**Renewal Notice**") that Franchisee desires to extend the Initial Term for the duration of the Renewal Term. If Franchisee exercises the Renewal Right, this Agreement shall terminate on the Renewal Term Expiration Date. This Agreement is not otherwise renewable.

3.3 **Conditions to Renewal**. The Initial Term may be renewed by Franchisee only if all of the following conditions precedent are satisfied prior to the Expiration Date (i) Franchisee shall have fully performed all of its obligations under this Agreement, any Area Development Agreement and all other agreements binding Franchisor and Franchisee and shall be in Good Standing on the date of the Renewal Notice, on the date of Franchisor's execution of the Renewal Franchise Agreement and on the Expiration Date, (ii) Franchisee shall, prior to the commencement date of the Renewal Term, undertake and complete at its expense, the remodeling, renovation, modernization, or refurbishing of the Franchised Location and the Stickhouse Shop to comply with Franchisor's Then-Current specifications and standards for new Stickhouse Shops, (iii) Franchisee shall not have committed three (3) or more material Defaults during any eighteen (18) month period during the Initial Term which were subject to notices of Default issued by Franchisor, whether or not the Defaults were cured, (iv) Franchisee shall continue to comply with the terms and conditions of this Agreement, (v) Franchisee shall have satisfied Franchisor's Then-Current qualifications and training requirements, (vi) Franchisee shall have executed and delivered to Franchisor a General Release, (vii) each Owner and each Owner's spouse of Franchisee shall have executed and delivered to Franchisor a personal guarantee, in a form then satisfactory to Franchisor, jointly and severally guaranteeing Franchisee's performance of its obligations under the Renewal Franchise Agreement, (viii) Franchisee shall have paid Franchisor the appropriate Renewal Fee when Franchisee issues the Renewal Notice to Franchisor, and (ix) Franchisee shall have executed the Renewal Franchise Agreement and delivered it to Franchisor.

3.4 **Renewal Procedures**. Following the expiration of any waiting periods required by Applicable Law and no more than thirty (30) days after Franchisee receives Franchisor's Franchise Disclosure Document, if applicable, and the execution copies of the Renewal Franchise Agreement, Franchisee shall execute the copies of the Renewal Franchise Agreement and return them to Franchisor. If Franchisee has exercised the Renewal Right in accordance with Section 3.2 and satisfied all of the conditions in Section 3.3 and this Section 3.4, Franchisor shall execute the Renewal Franchise Agreement. If Franchisee fails to perform any of the acts, or deliver any of the notices required under this Article 3 in a timely fashion, the failure to do so shall be deemed an election by Franchisee not to exercise the Renewal Right and shall automatically cause the Renewal Right to lapse and expire.

3.5 **Notice Required by Law**. If Applicable Law requires Franchisor to give notice to Franchisee prior to the expiration of the Initial Term, this Agreement shall remain in effect on a week-to-week basis until Franchisor has given the notice required by Applicable Law. If Franchisor is not offering new franchises, is in the process of revising, amending or renewing its form of franchise agreement or franchise disclosure document, or is not lawfully able to offer Franchisee its Then-Current form of franchise agreement, at the time Franchisee delivers its Renewal Notice, Franchisor may, in its discretion, (i) offer to renew this Agreement upon the same terms set forth in this Agreement for a Renewal Term determined in accordance with Section 3.2, or (ii) offer to extend the Initial Term on a week-to-week basis following the expiration of the Initial Term for as long as it deems necessary or appropriate so that it may lawfully offer its Then-Current form of franchise agreement.

4. FEES

4.1 **Initial Franchise Fee**. On the Effective Date, Franchisee shall pay Franchisor the Initial Franchise Fee in the manner provided in Section 4.4. The Initial Franchise Fee shall be non-refundable, in whole or in part, when paid.

4.2 **<u>Royalty Fees and Other Payments</u>**. Franchisee shall pay Franchisor, in accordance with <u>Section 4.4</u>, a monthly Royalty Fee. -The Royalty Fee shall be paid on the first calendar day of each month on the Gross Sales of the Stickhouse Shop during the <u>immediately</u> preceding month. Each payment shall be accompanied by a statement of Gross Sales for the preceding month, certified as complete and accurate by the Operating Principal. Franchisee shall also promptly pay Franchisor and its Affiliates, as applicable, when due (i) all amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever, and (ii) all amounts due to Franchisor or its Affiliates for purchases of Stickhouse Branded Products and Stickhouse Proprietary Products by Franchisee.

4.3 **<u>Interest and Charges for Late Payments</u>**. If Franchisee fails to pay any amount due to Franchisor under this Agreement by the date payment is due, or if any electronic payment is unpaid because of insufficient funds or otherwise, Franchisee shall additionally be obligated to pay, as a late charge, the sum of $200. Additionally, Franchisee shall pay interest on the amount outstanding at the rate of one and one-half percent (1~~-1/2~~.5%) per month (but not to exceed the maximum legal rate of interest) imposed from the date payment was due until the entire sum and late charge is paid in full. This <u>Section 4.3</u> does not constitute an agreement by Franchisor to accept any payment after the date payment is due or a commitment by Franchisor to extend credit to, or otherwise finance, Franchisee, and Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement notwithstanding this <u>Section 4.3</u>.

4.4 **<u>Manner of Payment</u>**. Franchisee shall pay the Initial Franchise Fee and Royalty Fees to Franchisor from Franchisee's bank account by electronic funds transfer ("**EFT**") or other automatic payment mechanism that Franchisor may designate. Promptly upon Franchisor's request, Franchisee shall execute and deliver to Franchisor the EFT payment form attached to this Agreement as **<u>Exhibit D</u>** and all pre-authorized check forms and other instruments or drafts required by Franchisor's bank, payable against Franchisee's bank account, to enable Franchisor to draw Franchisee's Royalty Fees and other sums payable under the terms of this Agreement. Franchisee shall maintain a single bank account for all EFT payments and shall maintain such minimum balance in this account in the amount that Franchisor may reasonably specify from time to time. Franchisee shall not alter or close this account except with Franchisor's prior written approval. Any failure by Franchisee to implement an EFT system in strict accordance with Franchisor's instructions shall constitute a material Default of this Agreement.

4.4.1 All payments by Franchisee shall be made in US Dollars free and clear of any tax, deduction, offset or withholding of any kind. Franchisee shall register for and collect and report sales tax in compliance with all Applicable Laws. All taxes and penalties thereon, presently or in the future levied in the area in which the Stickhouse Shop is located on the payments due to Franchisor under this Agreement shall be fully borne by Franchisee.

4.4.2 If Franchisee or any other person is required by Applicable Law to make any deduction or withholding on account of tax or other amount from the payments paid or payable to Franchisor under this Agreement, Franchisee shall pay any such tax or other amount before the date on which a penalty for nonpayment or late payment attaches. Payment of such tax, levy, duty or assessment is to be made (if the liability to pay is imposed on Franchisee) for Franchisee's own account or (if the liability to pay is imposed on Franchisor or Franchisor's Affiliate) on behalf of and in the name of Franchisor or Franchisor's Affiliate, as the case may be. The payments made by Franchisee that are the subject of the relevant deduction, withholding or payment (including any penalties) will be increased to the extent necessary to ensure that, after the making of the deduction, withholding or payment of such tax, levy, duty or assessment, Franchisor or Franchisor's Affiliate receives on the due date and retains (free from any liability in respect of the deduction, withholding or payment) a sum equal to the amount Franchisor or Franchisor's Affiliate, as the case may be, would have received and retained had no such deduction, withholding or payment been required or made.

4.4.3 Franchisee shall immediately furnish to Franchisor or Franchisor's Affiliate, as the case may be, certified receipts of the payment of any deduction, withholding or payment made, on its account or Franchisor's account. Franchisee shall indemnify Franchisor and hold Franchisor harmless from any claims for any taxes described in this Section 4.4, including any claims occasioned by Franchisee's failure to withhold any taxes imposed by any Governmental Authority on amounts payable by Franchisee pursuant to Sections 4.1, Section 4.2 and this Section 4.4.3, and for any liability (including penalties, interest and expenses) arising from or concerning the payment of such taxes.

4.5 **Application of Funds**. If Franchisee shall be delinquent in the payment of any obligation to Franchisor ~~hereunder~~under this Agreement, or under any other agreement with Franchisor, Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligation owed, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to application.

4.6 **Security Interest**. Franchisee hereby grants Franchisor a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the Stickhouse Shop, now or hereafter acquired by Franchisee, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of the assets, all rights of Franchisee to use the Stickhouse Marks, trade names, trade styles, patents, copyrights and their registrations, Trade Secret information and other proprietary rights, and all rights granted, owned or licensed to Franchisee under this Agreement for the use of the Stickhouse Marks, trade names, trade styles, patents, copyrights, Trade Secret information and other proprietary rights, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, from Franchisee to Franchisor. Franchisee hereby authorizes Franchisor to prepare and file all Uniform Commercial Code (and comparable) financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code wherever applicable. If Franchisee is in Good Standing under this Agreement and all other agreements between Franchisor or its Affiliates, and Franchisee, Franchisor shall, upon request of Franchisee, execute a written subordination of its security interest to lenders providing equipment or other financing for the Stickhouse Shop. If Franchisee is in Default of any of the terms and conditions of this Agreement, Franchisor may, in its discretion, exercise its rights with respect to its security interest. In that event, Franchisee shall remain liable for any deficiency remaining due to Franchisor and shall be entitled to recover any surplus which results after the application of the proceeds derived from the enforcement of the security interest.

4.7 **Gross-Up Fees**. To ensure that Franchisor receives the full Royalty Fee to which Franchisor may be entitled, as the amount thereof may vary from time to time, Franchisee shall pay Franchisor, upon demand, whether in arrears, in advance, in a lump sum or in the same manner as Royalty Fees are paid to Franchisor, the amount of all taxes paid by Franchisor to any Governmental Authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the Governmental Authority's domain during each of Franchisor's fiscal years throughout the entire Term of this Agreement.

5. FRANCHISED LOCATION, CONSTRUCTION AND OPENING FOR BUSINESS

5.1 **Franchised Location**. The Stickhouse Shop shall be located at the Franchised Location. If the address of the Franchised Location has not been set forth in **Exhibit A** on the Effective Date, Franchisee shall, within forty-five (45) days after the Effective Date, locate one or more proposed sites that meet Franchisor's Then-Current standards and specifications. Franchisee shall submit to Franchisor all demographic and other information regarding a proposed site and neighboring areas that Franchisor shall require. Franchisor shall accept or reject a proposed site for the Stickhouse Shop within thirty (30) days after Franchisor receives all of the information that Franchisor requires to evaluate the site. Following Franchisor's approval of a site, Franchisee shall promptly negotiate a Lease for the site and shall submit a copy of the proposed Lease to

Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.2 ~~of this Agreement~~ have been included in the proposed Lease and/or that the Landlord and Franchisee have executed an Option to Obtain Lease Assignment in the form specified by Franchisor. Franchisee shall not enter into any Lease for a site unless and until Franchisor has approved the site and the Lease in writing. Following Franchisee's execution of the Lease for the Franchised Location, Franchisor and Franchisee shall complete and execute **Exhibit A** to identify the Franchised Location. Franchisee shall identify the site for the Franchised Location and obtain a fully executed Lease for the site no later than ninety (90) days after the Effective Date. Franchisor may voluntarily, and without obligation, assist Franchisee in selecting an acceptable site for the Franchised Location. Neither Franchisor's assistance, if any, its acceptance of a proposed site, nor its acceptance of a proposed Lease shall be construed to ensure or guarantee the profitable or successful operation of the Stickhouse Shop at the site selected by Franchisee and Franchisor hereby expressly disclaims any responsibility for such profitability or success. Franchisee acknowledges its sole responsibility for finding the Franchised Location.

5.2 **Lease for Franchised Location**. Franchisee shall not create any obligations on Franchisor's behalf or grant the Landlord any rights against Franchisor, or agree to any term, condition or covenant in the Lease which is inconsistent with any provision of this Agreement. Franchisee shall deliver a fully executed copy of the Lease to Franchisor promptly following its execution, in the form and on the terms previously accepted by Franchisor, without further request by Franchisor. The Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of the Lease that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent, (ii) Franchisor shall have the right (but not the obligation) to succeed to Franchisee's rights under the Lease if Franchisee fails to exercise any option to renew, and or extend the term of the Lease, (iii) upon Franchisee's Default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease, (iv) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Franchisee and the Landlord, (v) Franchisee shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any franchisee or licensee approved by Franchisor, and (vi) Franchisor shall have the right to enter the Franchised Location to remove all of the Stickhouse Marks from the Franchised Location and modify the ~~decor~~décor of the Franchised Location so that it no longer resembles, in whole or in part, a Stickhouse Shop if Franchisee fails to do so. If Franchisor elects to succeed to Franchisee's rights under the Lease, Franchisee shall assign to Franchisor all of its right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary or advisable to effect the assignment within ten (10) days after written demand by Franchisor to do so.

5.3 **Construction**. Franchisor shall make available, at no charge to Franchisee, Franchisor's specifications for the ~~decor~~décor and layout of a Stickhouse Shop and the required fixtures, equipment, furnishings, ~~decor~~décor, trade dress and signs. Franchisee shall be responsible for the costs of preparing architectural, engineering and construction drawings and site and space layout and exterior signage plans for the Stickhouse Shop. Franchisee shall, at its own expense, adapt the specifications for a prototype Stickhouse Shop to conform to the characteristics of the Franchised Location and shall submit the final plans to Franchisor within forty-five (45) days after Franchisee obtains possession of the Franchised Location. Franchisor shall review and accept or reject the plans within fifteen (15) days after receiving them from Franchisee. Before commencing any renovation or construction, Franchisee shall employ a licensed architect and engineer approved by Franchisor to prepare preliminary and final architectural and engineering drawings and specifications for the Stickhouse Shop in accordance with Franchisor's standard architectural plans and specifications for a prototype Stickhouse Shop. Franchisee shall, at its own expense, obtain all zoning classifications, permits, and clearances for construction and shall, subject only to Force Majeure, complete construction of the Stickhouse Shop within one hundred eighty (180) days after the Effective Date. Franchisee's failure to locate an acceptable site, enter a Lease or open the Stickhouse Shop within the applicable time periods provided for in this Article 5 shall be deemed to be material Defaults under this Agreement. Franchisee shall notify Franchisor of the anticipated construction completion date and, within a reasonable time after construction is completed. Franchisor shall have the right, but not the obligation, to conduct a final inspection of the Stickhouse Shop.

5.4 **Open for Business**. The Stickhouse Shop shall Open for Business no later than one hundred eighty (180) days after the Effective Date, unless Franchisor extends the date for the required Opening of the Stickhouse Shop in writing. Franchisor shall not unreasonably withhold its consent to Franchisee's request for additional time to Open the Stickhouse Shop. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, Franchisee shall not Open the Stickhouse Shop without the express written authorization of Franchisor, which authorization may be conditioned upon Franchisee's strict compliance with the specifications of the approved final plans and Stickhouse System standards, the completion of the Initial Training Program by the Operating Principal and the General Manager and Franchisee's compliance with staffing and other requirements. Franchisee shall open the Stickhouse Shop for business following receipt of a temporary or permanent certificate of occupancy and no more than ten (10) days after receipt of Franchisor's written authorization to Open.

5.5 **Relocation of Stickhouse Shop.** To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, Franchisee may not relocate the Stickhouse Shop without Franchisor's prior written consent. Franchisee shall pay Franchisor a Relocation Fee when Franchisee requests Franchisor's consent to a relocation of the Stickhouse Shop. If Franchisor consents to a relocation, Franchisee shall de-identify the former Franchised Location in the manner described in Section 17.1 and shall reimburse and indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorneys' fees, arising out of Franchisee's failure to do so. If Franchisor consents to a relocation of the Stickhouse Shop during the Term, Franchisee shall have twelve (12) months from the date of Franchisor's approval of the new Franchised Location to secure the new Franchised Location and to open and operate the Stickhouse Shop at the new Franchised Location. Once Franchisee has identified the new Franchised Location, Franchisor has approved it, and the Lease has been submitted to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.2 have been included in the proposed Lease and/or that the Landlord and Franchisee have executed an Option to Obtain Lease Assignment in the form specified by Franchisor, Franchisor will prepare a new copy of **Exhibit A** and provide it to Franchisee. If Franchisee fails to secure the new Franchised Location within twelve (12) months of the date of Franchisor's approval of the new Franchised Location, Franchisor shall have the right to estimate and bill Franchisee for Royalty Fees for the time period following the expiration of the twelve (12) month period based upon the Royalty Fees received for the Stickhouse Shop during the identical periods of the last preceding calendar year plus an additional ten percent (10%) of such amount or, if the Stickhouse Shop was not in operation during the identical period of the last preceding year, based upon the average Royalty Fees paid during the number of months the Stickhouse Shop was in operation plus an additional ten percent (10%) of that amount.

5.6 **Stick Cart and Stick Truck**. Sections 5.1 - 5.5 shall not apply to Stick Carts and Stick Trucks. If the Stickhouse Shop to be operated by Franchisee under this Agreement will be a Stick Cart or a Stick Truck, the Parties shall execute an Addendum to this Agreement on the Effective Date that will set forth the applicable details for the development and operation of a Stick Cart or a Stick Truck that will differ from the terms set forth in this Agreement that are applicable to a Full Shop, a Sales Shop, a Kiosk and a Corner.

6. OBLIGATIONS OF FRANCHISOR.

6.1 **Initial Training Program**. Franchisor shall provide Franchisee's Operating Principal, General Manager, and, at Franchisee's request, other supervisorial or managerial personnel, with the Initial Training Program in the Stickhouse System and methods of operation at Franchisor's Training facilities in Franchisor's corporate office and/or at a Stickhouse Shop selected by Franchisor. Portions of the Initial Training Program may be held at the Franchised Location. Franchisee shall attend and complete to Franchisor's satisfaction the Initial Training Program. The Initial Training Program will consist of approximately ten (10) days of training prior to the opening of the Stickhouse Shop and must be completed before that Stickhouse Shop Opens for business. Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee and/or Franchisee's employees to attend the Initial Training Program. Franchisee may not open the Stickhouse Shop until the Initial Training Program has been completed to the satisfaction of Franchisor and Franchisee's management team has been certified by Franchisor. The Initial Training Program shall not be provided if (i) Franchisee or any Affiliate of Franchisee owns or operates a similar type of Stickhouse Shop as of the Effective Date, or (ii) this Agreement is executed as a Renewal Franchise Agreement. Franchisor shall determine the contents and manner of conducting the Initial Training Program in its discretion, however, the Initial Training Program will be structured to provide practical training in the implementation and operation of a Stickhouse Shop and may include such topics as on-site drink and food preparation, portion control, preparation and cooking procedures, packaging procedures, Stickhouse standards, marketing and customer service techniques, reports and equipment maintenance. If, following the Opening Date of the Stickhouse Shop, Franchisee requests Franchisor to provide additional Initial Training Programs for new or replacement supervisorial or managerial personnel of Franchisee and Franchisor agrees to do so, Franchisor shall provide such additional Initial Training Programs at Franchisor's convenience at no cost to Franchisee. However, Franchisee shall pay all transportation costs, food, lodging and similar costs incurred in connection with attendance at the additional Initial Training Programs. Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Stickhouse Shop, Franchisor, in its sole discretion, shall determine if Franchisee, the Operating Principal, the General Manager, and/or any other supervisorial or managerial employees of Franchisee have satisfactorily completed the Initial Training Program.

6.2 **Additional Training Programs.** Franchisor may, at Franchisor's discretion, from time to time during the Term (i) require the Operating Principal, each General Manager, and/or other supervisorial or managerial personnel of Franchisee to attend, and/or (ii) make available to the Operating Principal, each General Manager, and/or other supervisorial or managerial personnel of Franchisee, additional and remedial training programs ("**Additional Training Programs**") at no cost to Franchisee. However, Franchisee shall pay all transportation costs, food, lodging and similar costs incurred in connection with its representatives' attendance at the Additional Training Programs.

6.3 **On Site Opening Assistance**. For Franchisee's first Stickhouse Shop, Franchisor will provide on-site training and assistance to Franchisee's supervisorial or managerial personnel beginning five (5) days before and continuing two (2) days after Franchisee's Stickhouse Shop opens to the public.

6.4 **Manuals**. Franchisor will loan one copy or provide Franchisee with access to its current Manuals by hard copy or via the intranet during the Term. The Manuals may change from time to time during the Term. The Manuals are, and at all times shall remain, Franchisor's sole property and shall promptly be returned to Franchisor upon expiration, termination or an Assignment of this Agreement. If Franchisee misplaces the Manuals or fails to return the Manuals to Franchisor upon demand, Franchisee shall pay Franchisor the sum of $500 as a manual replacement fee. Franchisee shall treat all information contained in the Manuals as Confidential Information and shall use all reasonable efforts to keep the information confidential. Franchisee shall not, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce the Manuals, in whole or in part, or otherwise make them available to any person not required to have access to their contents in order to carry out their employment functions. The Manuals contain both mandatory and recommended specifications, standards, procedures, rules and other Information pertinent to the Stickhouse System and Franchisee's obligations under this Agreement. The Manuals, as modified by Franchisor from time to time, are an integral part of this Agreement and all provisions now or hereafter contained in the Manuals or otherwise communicated to Franchisee in writing are expressly incorporated into this Agreement by this reference and made a part of this Agreement. Franchisee shall comply with all mandatory requirements now or hereafter included in the Manuals, and acknowledges and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination. Franchisor reserves the right to modify the Manuals from time to time to reflect changes that it may implement in the mandatory and recommended specifications, standards and operating procedures of the Stickhouse System. Franchisee shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Franchisor.

6.5 **Consultation**. Franchisor may provide regular consultation and advice to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues that Franchisee brings to Franchisor's attention including, without limitation, mandatory and recommended specifications, standards and operating procedures of the Stickhouse System Franchisor's consultation and advice may be provided by telephone, in writing, electronically, in person, or by other means. Franchisee acknowledges and agrees that the results of Franchisee's efforts to operate a Stickhouse Shop rest solely with Franchisee. Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone shall establish all requirements, consistent with the policies of Franchisor, regarding -(i)- employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee will offer and sell its products and services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Stickhouse Shop for which Franchisor has not established Approved Suppliers.

6.6 **Inspection**. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, following the Opening Date of the Stickhouse Shop, Franchisor's authorized representatives shall have the right, but not the obligation, from time to time, to enter the Stickhouse Shop during business hours, to examine the Stickhouse Shop, to confer with Franchisee's supervisorial or managerial employees, inspect and check operations, food, beverages, furnishings, interior and exterior ~~decor~~décor, supplies, fixtures and equipment, and determine whether the Stickhouse Shop is being operated in accordance with this Agreement, the Stickhouse System and the Manuals. Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Stickhouse Shop during an inspection. If any inspection indicates any deficiency or unsatisfactory condition at the Stickhouse Shop, Franchisor will notify Franchisee in writing of the deficiencies and Franchisee shall promptly correct, remedy or repair the same. In addition, if any inspection indicates any deficiency or unsatisfactory condition which requires a re-inspection of the Stickhouse Shop within a period of thirty (30) days, Franchisee shall pay Franchisor, upon demand, the sum of $500 for each re-inspection of the Stickhouse Shop and shall, in addition, reimburse Franchisor for its out of pocket expenses for the re-inspection, including for transportation costs, food, lodging and similar costs.

6.7 **Assignment**. Upon the occurrence of an Assignment, the Proposed Buyer must be trained by Franchisor as a condition to the granting of Franchisor's consent to the Assignment. All costs for this training shall be included in the administrative/transfer fee payable by Franchisee in accordance with Section 14.4.7. The Stickhouse Shop shall not be transferred, Opened, or re-Opened by the Proposed Buyer until Franchisor accepts the Proposed Buyer in writing as certified to operate the Stickhouse Shop and Franchisor has otherwise consented to the Assignment in accordance with this Agreement.

7. OBLIGATIONS OF FRANCHISEE

To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same~~.~~, Franchisor has established the following provisions:

7.1 **Stickhouse System**. Franchisee shall operate the Stickhouse Shop in compliance with the terms of this Agreement and the Manuals. Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Stickhouse Shop, including over Franchisee's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Stickhouse System with which Franchisee must comply under this Agreement, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Stickhouse Shop, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising

Franchisee's control over the day-to-day operations of the Stickhouse Shop consistent with the policies of Franchisor. Franchisee shall comply with Franchisor's standards and shall operate the Stickhouse Shop in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise Franchisee shall comply, at Franchisee's expense, with all modifications prescribed by Franchisor and shall implement changes to the Stickhouse System within the time periods specified by Franchisor following Franchisee's receipt of notice from Franchisor to do so. Franchisee shall refrain from deviating from the methods, standards, and specifications without Franchisor's prior written consent and from otherwise operating in any manner which reflects adversely on the Stickhouse Marks or the Stickhouse System. Since every detail of the Stickhouse System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Stickhouse Shops under the Stickhouse System and to protect the Stickhouse Marks and Franchisor's reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, the Stickhouse System suggested by Franchisee that is reasonably likely to have an adverse material effect on the Stickhouse System, the Stickhouse Marks or Franchisor's reputation or goodwill.

7.2 **Initial Training Program**. The Principal Owner and Franchisee's supervisorial and managerial personnel shall attend and complete to Franchisor's satisfaction the Initial Training Program. If the Principal Owner (i) fails to complete the Initial Training Program within five (5) months after the Effective Date, (ii) does not complete the Initial Training Program to Franchisor's satisfaction, (iii) does not, during the Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the Stickhouse System or this Agreement or (iv) is not acceptable to become a franchisee of Franchisor for any reason whatsoever, in Franchisor's sole and absolute discretion, Franchisor may terminate this Agreement upon five (5) days' written notice to Franchisee and this Agreement shall thereafter be of no further force or effect. Franchisor shall have the right to retain the Initial Franchise Fee and the Initial Trainng Fee. Franchisor and Franchisee acknowledge and agree that the actual damages to be suffered by Franchisor in this circumstance are difficult, if not impossible, to determine, and that, under all the facts and circumstances, this calculation of Franchisor's potential damages and retention of the Initial Franchise Fee by Franchisor, are a reasonable, good-faith estimate of those damages.

7.3 **POS Stickhouse System and Computer Hardware and Software**. Franchisee shall purchase, use and maintain a computerized point of sale cash collection system (including a POS Stickhouse System network router, computer, back office computer and printer and other related hardware and software) as specified in the Manuals or otherwise by Franchisor in writing for the Stickhouse Shop (the "**POS Stickhouse System**"). The POS Stickhouse System shall at all times be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, and accessing the Internet for ordering and maintaining the POS Stickhouse System. The POS Stickhouse System shall be electronically linked to Franchisor, and Franchisee shall allow Franchisor to poll the POS Stickhouse System on a daily or other basis at the times and in the manner established by Franchisor, with or without notice, and to retrieve transaction information including sales, menu mix, usage, and other operations data that Franchisor deems appropriate. Franchisor may require Franchisee to update, upgrade or replace the POS Stickhouse System, including hardware and/or software, from time to time, upon written notice, provided that Franchisee shall not be required to replace the POS Stickhouse System any more frequently than once every three (3) years. The POS Stickhouse System must include the required technology to permit Franchisee to accept online orders of Stickhouse Products and services at the Stickhouse Shop and to accept and process Stickhouse gift cards sold in other Stickhouse Shops. In addition, Franchisee shall purchase, lease or license all computer hardware and software for the Stickhouse Shop at Franchisee's expense. During the Term, Franchisee shall maintain and update all computer hardware and software as required by Franchisor.

7.4 **Product Line and Service**. Franchisee shall advertise, sell and serve all and only Authorized Stickhouse Products at or from the Stickhouse Shop. All Authorized Stickhouse Products shall be sold and distributed under the names designated by Franchisor and shall be prepared and served strictly in accordance with Franchisor's methods, standards, and specifications. Franchisee shall not remove any

Authorized Stickhouse Product from Franchisee's menu without Franchisor's written consent. Franchisee shall not sell any Authorized Stickhouse Products outside of the Stickhouse Shop or to any customer for the purpose of resale by the customer, and all sales by Franchisee shall be for retail consumption only. Subject to Applicable Law, Franchisor shall have the right to establish pricing guidelines for Authorized Stickhouse Products and, subject to Applicable Law, Franchisee shall comply with, and be bound by, prices which may be recommended, suggested or advertised by Franchisor.

7.5 **Oversight and Management**. The Operating Principal shall be responsible for oversight of the day-to-day operations of the Stickhouse Shop and shall devote his full time and best efforts solely to operation of the Stickhouse Shops operated by Franchisee and to no other business activities. Franchisee shall provide comprehensive initial training programs, additional training programs and remedial training programs for its General Manager and other supervisorial or managerial employees and shall ensure that the Stickhouse Shop is at all times under the direct control of a General Manager and other employees fully trained by Franchisee and solely dedicated to operation of the Stickhouse Shop. Each General Manager shall have a skill level, training and experience commensurate with the demands of the position and conform in all respects with Franchisor's high standards for quality products, courteous service, and cleanliness of operations Franchisee, its Operating Principal and each General Manager shall successfully complete the ServSafe® Food Safety Certification Program, or show evidence of prior ServSafe® certification. Franchisor may, in its sole discretion, replace the ServSafe® Food Safety Certification Program with another food safety certification program, if deemed appropriate. Franchisee shall be responsible for all fees and material costs associated with any certification program. In addition, Franchisor may, in its sole discretion, contract with a third party to conduct sanitation and food safety audits of the Stickhouse Shop periodically throughout the Term of this Agreement, but no less than once per calendar year.

7.6 **Menus**. The approved and authorized menu and menu formats may include, in Franchisor's discretion, requirements on organization, graphics, product descriptions, illustrations and any other matters related to the menu, whether or not similar to those listed. In Franchisor's discretion, the menu and/or menu formats may vary depending upon region, market size and other factors which affect the Stickhouse Shop. Franchisor may change the menu and/or menu formats from time to time and authorize tests from region to region or within regions. Franchisee shall, upon receipt of notice from Franchisor, add, delete or update any Authorized Stickhouse Products to its menu according to the instructions contained in the notice. Franchisee shall have a minimum of thirty (30) days and not more than sixty (60) days after receipt of written notice in which to fully implement any menu change. Franchisee shall cease selling previously approved Authorized Stickhouse Products within thirty (30) days after receipt of notice that the product is no longer approved. All menus, containers, napkins, bags, cups and other packaging and like articles used at the Stickhouse Shop shall conform to Franchisor's specifications, shall be imprinted with the Stickhouse Marks, if and as specified by Franchisor, and shall be purchased by Franchisee from a Stickhouse Approved Supplier.

7.7 **Compliance with Applicable Law**. Franchisee shall operate the Stickhouse Shop as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies and shall comply with all Applicable Laws. Franchisee shall not cause or allow any part of the Stickhouse Shop or the Franchised Location to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action which will cause Franchisor to be in violation of any Applicable Law. If Franchisee shall receive any notice, report, fine, test results or the like from any applicable department of health (or other similar Governmental Authority), Franchisee shall promptly send a copy of the same to Franchisor.

7.8 **Hours**. Subject to Applicable Law, the Stickhouse Shop shall be open and operational at least thirteen (13) hours per day, seven (7) days per week or as otherwise prescribed by Franchisor. Franchisee shall continually operate the Stickhouse Shop throughout the Term. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible from its Franchised

Location, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and sales.

7.9 **<u>Signs</u>**. Franchisee shall maintain approved signs and/or awnings at, on, or near the front of the Stickhouse Shop, identifying the Franchised Location as a Stickhouse Shop, which shall conform in all respects to Franchisor's specifications and requirements and the layout and design plan approved for the Franchised Location, subject only to restrictions imposed by Applicable Law.

7.10 **<u>Franchisee Employee Policies</u>**. Franchisee shall maintain a competent, conscientious, and trained staff and shall take all steps necessary to ensure that its employees preserve good customer relations, render competent, prompt, courteous, and knowledgeable service, and meet the minimum standards that Franchisor may establish from time to time in the Manuals or otherwise. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be the employees of Franchisor or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any Governmental Authority. -Franchisee and Franchisor will each file their own tax, regulatory and payroll reports, and be responsible for all employee benefits and ~~workers~~<u>workers'</u> compensation insurance payments with respect to their respective employees and operations. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisorial or managerial personnel for qualification to perform certain functions at the Stickhouse Shop does not directly or -indirectly -vest -in Franchisor -the -power -to -hire, -fire -or -control -any -of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and functions relating to the Stickhouse Shop, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law. Franchisee shall immediately defend, reimburse and hold Franchisor harmless from any direct or indirect losses, costs and expenses, including attorney's fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions at the Stickhouse Shop, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees. Franchisee shall cause all employees, while working in the Stickhouse Shop, to wear uniforms of the color, design and other specifications that Franchisor may designate from time to time and to present a neat and clean appearance. If Franchisor removes a type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have thirty (30) days from receipt of written notice of removal to discontinue use of its existing inventory of uniforms and obtain and use the approved type of uniform.

7.11 **<u>Vending or Other Machines</u>**. Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Stickhouse Shop.

7.12 **<u>Co-Branding</u>**. Franchisee may not engage in any co-branding in or in connection with the Stickhouse Shop except with Franchisor's prior written consent. Franchisor may approve any co-branding chain or arrangement in its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within Stickhouse Shops.

7.13 **<u>Customer Complaints and Cooperation</u>**. Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction. At Franchisor's request, Franchisee shall use and display in the Stickhouse Shop during all operating hours customer comment cards in the manner specified in the Manuals. Franchisee shall, from time to time, purchase from Franchisor or an Approved Supplier, and maintain in the Stickhouse Shop, a supply of postage prepaid customer comment cards reasonably adequate to meet Franchisee's needs. Franchisee shall at all times cooperate with Franchisor and other franchisees of Franchisor and shall actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs which may be developed and implemented by Franchisor which call for the cooperation of Franchisee and other franchisees of Franchisor. Franchisee shall further cooperate in any additional programs which may be established and designated by Franchisor from time to time including participating in coupon programs, the system-wide use of gift cards, and other similar programs for the benefit of the Stickhouse System, and shall comply with Franchisor's rules and regulations established from time to time in connection herewith. Franchisee shall cooperate with Franchisor in connection with the test marketing of products and services at the Stickhouse Shop and shall comply with Franchisor's rules and regulations established from time to time in connection with such test marketing.

7.14 **Adequate Reserves and Working Capital**. Franchisee shall, at all times, maintain adequate reserves and working capital sufficient for Franchisee to fulfill all of Franchisee's obligations under this Agreement and to cover the risks and contingencies of the Stickhouse Shop for at least three (3) months.

7.15 **Re-Imaging of Stickhouse Shop.** Franchisee shall at its own expense, make the alterations, additions, or modifications to the Stickhouse Shop that Franchisor may reasonably require to accommodate changes made by Franchisor to the Stickhouse System, including, without limitation, changes to menu items or market positioning. Franchisee shall have ninety (90) days from receipt of notice from Franchisor regarding re-imaging requirements in which to make the required alterations, additions, or modifications to the Stickhouse Shop.

7.16 **Intranet**. If Franchisor establishes a Stickhouse franchisee Intranet, Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Franchisee acknowledges that, as administrator of the Intranet, Franchisor may access and view any communication posted on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert. Upon receipt of notice from Franchisor that Franchisor has established an Intranet, Franchisee shall establish and continually maintain an electronic connection with the Intranet as specified in the Manuals that allows Franchisor to send messages to and receive messages from Franchisee. If Franchisee shall Default under this Agreement or any other agreement with Franchisor, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee.

7.17 **Improvements**. If Franchisee develops any new concept, process or improvement in the Stickhouse System (an "**Improvement**"), Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any Improvement shall become the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee hereby assigns to Franchisor any rights Franchisee may have or acquire in the Improvements, including the right to modify the Improvement, and Franchisee waives and/or releases all rights of restraint and moral rights therein and thereto. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to any Improvement in any and all countries and further agrees to execute and provide Franchisor with all necessary documentation for obtaining and enforcing those rights. Franchisee hereby irrevocably designates and appoints Franchisor as Franchisee's agent and attorney-in-fact to execute and file any the documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property rights related to any Improvement. If the foregoing provisions of this Section 7.17 are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense to use of the Improvement to the extent the use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

7.18 **Refurbishment of Stickhouse Shop**. At Franchisor's request, but not more often than once every three (3) years unless sooner required by the Lease, Franchisee shall refurbish the Stickhouse Shop, at its own expense, to conform to the building design, trade dress, color schemes, and presentation of the Stickhouse Marks in a manner consistent with the Then-Current public image for new or remodeled Stickhouse Shops, including, without limitation, replacement or renovation of equipment, remodeling, redecoration, and modifications to existing Improvements and reasonable structural changes that Franchisor may reasonably require or that may be required by Applicable Law. Franchisee's costs for the required refurbishment shall not exceed $30,000 for the interior of the Stickhouse Shop or $10,000 for the exterior of the Stickhouse Shop.

7.19 **Notifications and Crisis Management Events**. Franchisee shall notify Franchisor in writing within (i) twenty-four (24) hours, and confirm such notification in writing within two (2) days thereafter, of any investigation or violation, actual or alleged, of any health, liquor or narcotics laws or regulation related to the Stickhouse Shop, and (ii) five (5) days of the commencement of any investigation, action, suit, or proceeding or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other Governmental Authority which may adversely affect the operation or financial condition of the Stickhouse Shop. Franchisee shall immediately inform Franchisor's Chief Executive Officer (or as otherwise instructed in the Manuals) by telephone of the occurrence of a Crisis Management Event. Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to a Crisis Management Event.

7.20 **Authorization to Release Information**. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect the authorization) all banks, financial institutions, businesses, suppliers, manufacturers, 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 Stickhouse Shop which Franchisor may request. Franchisee further authorizes Franchisor to disclose to prospective franchisees or other third parties data from Franchisee's reports if Franchisor determines, in Franchisor's sole discretion, that the disclosure is necessary or advisable.

7.21 **Annual Franchise Conference**. Franchisor may hold an Annual Franchise Conference for all Stickhouse franchisees each year. The Operating Principal and each General Manager shall attend the Annual Franchise Conference. Franchisee shall pay Franchisor a Franchisee Conference Fee to reimburse Franchisor for a portion of the direct costs to provide the Annual Franchise Conference. Franchisee shall pay the Franchisee Conference Fee upon demand at least thirty (30) days before the date of the Annual Franchise Conference, whether or not Franchisee attends the Annual Franchise Conference.

7.22 **Credit Cards**. Franchisee shall honor all credit, charge, courtesy and cash cards approved by Franchisor in writing. To the extent Franchisee shall store, process, transmit or otherwise access or possess cardholder data in connection with the sale of Authorized Stickhouse Products, Franchisee shall maintain the security of cardholder data and adhere -to- the -Then-Current Payment -Card -Industry -Data -Security Standards ("**PCI DSS**"), currently –found –at– www.pcisecuritystandards.org, for –the– protection –of cardholder –data throughout the Term. Franchisee shall be and remain responsible for the security of cardholder data in the possession or control of any subcontractors Franchisee engages to process credit cards. All subcontractors must be identified to and approved by Franchisor in writing prior to sharing cardholder data with the subcontractor. Franchisee shall, if requested to do so by Franchisor, provide appropriate documentation to Franchisor to demonstrate compliance with applicable PCI DSS requirements by Franchisee and all identified subcontractors.

8. **SUPPLIERS AND PRODUCTS**

To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same~~:~~, Franchisor has established the following provisions:

8.1 **Approved Suppliers**. All Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products designated by Franchisor for use and sale at the Stickhouse Shop must be purchased from Approved Suppliers. Franchisor and its Affiliates may be, but are not obligated to become, Approved Suppliers of certain machines and equipment, Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products and may act as the sole Approved Suppliers of certain machines and equipment Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products. Franchisor may operate an Online Portal that Franchisee can use to buy Stickhouse Branded Products, Stickhouse Proprietary Products, marketing materials, handbooks and menus directly from Approved Suppliers.

8. 2 **Recommended Suppliers**. If Franchisee desires to purchase authorized Non-Proprietary Products from a Recommended Supplier rather than from Franchisor, Franchisor's Affiliates or a Stickhouse Approved Supplier, Franchisee shall deliver written notice to Franchisor identifying the Recommended Supplier and shall provide Franchisor with reasonable financial, operational and other information regarding the Recommended Supplier necessary for Franchisor to assess the Recommended Supplier. Franchisor shall notify Franchisee of Franchisor's decision within sixty (60) days after Franchisor's receipt of the necessary information from Franchisee. If Franchisor does not approve or disapprove a Recommended Supplier within sixty (60) days, the Recommended Supplier shall be deemed disapproved. As a condition of its approval, Franchisor may require a Recommended Supplier to agree in writing to (i) provide, from time to time, upon Franchisor's request, free samples of the Non-Proprietary Product the Recommended Supplier intends to supply to Franchisee, (ii) faithfully comply with Franchisor's specifications for the Non-Proprietary Products to be sold by the Recommended Supplier, (iii) sell any Non-Proprietary Products bearing the Stickhouse Marks only to franchisees of Franchisor and only under a trademark license agreement with Franchisor, (iv) provide Franchisor, upon request, with duplicate purchase invoices issued to Franchisee for Franchisor's records and inspection purposes, and (v) otherwise comply with Franchisor's reasonable requests. Further, Franchisor may require Franchisee or the Recommended Supplier to reimburse Franchisor for all of Franchisor's actual costs in reviewing the application of the Recommended Supplier and all current and future reasonable costs and expenses, including travel and living costs, related to inspecting, re-inspecting and auditing the Recommended Suppliers' facilities, equipment, and food products, and all product testing costs paid by Franchisor to third parties and to pay Franchisor, in advance, a deposit of up to $1,000, before Franchisor begins any inspection of the Recommended Supplier's facilities. Franchisor may revoke its approval of a previously approved Recommended Supplier if the Recommended Supplier does not continue to satisfy Franchisor's criteria.

8.3 **Purchases from Franchisor or its Affiliates.** All Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products purchased from Franchisor shall be purchased in accordance with the purchase order format issued from time to time by Franchisor and at the prices and on delivery terms and other terms offered to similarly situated Stickhouse franchisees. Franchisor, in its sole and absolute discretion, may establish the credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis. On the expiration or termination of this Agreement, or in the event of any Default by Franchisee under this Agreement, Franchisor shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee and may, among other things, only deliver the quantities reasonably necessary to supply Franchisee's needs prior to the expiration or termination of this Agreement. Franchisor shall not be liable to Franchisee for any delay or delivery failure caused by Force Majeure.

8.4 **Rebates**. Franchisor or its Affiliates may receive rebates or allowances from certain Approved Suppliers on purchases of Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products made by Franchisee and other Stickhouse Franchisees. Rebates and allowances will generally be a percentage of the revenue derived by the Approved Supplier from sales to Stickhouse Shops, will be included in Franchisor's general revenue, and may be used by Franchisor for a variety of purposes including ongoing programs, education, marketing, advertising, seminars and conferences, the handling of inquiries and complaints from franchisees' customers and for general and administrative expenses. Franchisor may use these rebates and allowance funds received for any purpose in its sole and absolute discretion.

9. STICKHOUSE MARKS

To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same~~:~~, Franchisor has established the following provisions:

9.1 **Ownership and Goodwill of Stickhouse Marks**. Franchisee acknowledges that its right to use the Stickhouse Marks is derived solely from this Agreement and is limited to use in operating as Franchisee pursuant to and in compliance with this Agreement and, if applicable, as a Stickhouse Area Developer pursuant to the Stickhouse Area Development Agreement between Franchisee and Franchisor. Any unauthorized use of the Stickhouse Marks by Franchisee shall constitute a breach of this Agreement and an infringement of the respective rights of Parent Company, Master Franchisor and Franchisor in and to the Stickhouse Marks. Franchisee acknowledges and agrees that (i) Parent Company owns the Stickhouse Marks and the Stickhouse System, (ii) Parent Company has issued a license to Master Franchisor to use and sublicense the Stickhouse Marks for the sale and administration of Stickhouse Shops within the United States, (iii) Master Franchisor has issued a license to Franchisor to use and sublicense the Stickhouse Marks for the sale and administration of Stickhouse Shops within the State of California (iv) Franchisee owns no goodwill or rights in the Stickhouse Marks or the Stickhouse System except for the license granted by this Agreement, and (v) Franchisee's use of the Stickhouse Marks and any goodwill established by that use shall inure to the exclusive benefit of Parent Company. Franchisee agrees not to contest, or assist any other person to contest, the validity of the respective rights and interests of Parent Company, Master Franchisor and Franchisor in the Stickhouse Marks or the Stickhouse System either during the Term or after this Agreement terminates or expires.

9.2 **Limitations on Use**. Franchisee shall not use any Stickhouse Marks (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Franchisee under this Agreement), (ii) in connection with unauthorized services or products, (iii) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, or (iv) in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give all notices of trademark and service mark registration that Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under Applicable Law. Franchisee further agrees that no service mark other than "**Stickhouse**" or other Stickhouse Marks specified by Franchisor shall be used in marketing, promoting, or operating the Stickhouse Shop.

9.3 **Modifications**. Parent Company, Master Franchisor and Franchisor reserve the right to (i) modify or discontinue licensing any of the Stickhouse Marks, (ii) add new names, marks, designs, logos or commercial symbols to the Stickhouse Marks and require that Franchisee use them, and (iii) require that Franchisee introduce or observe new practices as part of the Stickhouse System in operating the Stickhouse Shops. Franchisee acknowledges and agrees that the term "**Stickhouse Marks**" means the specific names, marks, designs, logos or commercial symbols licensed by Parent Company, Master Franchisor and Franchisor at any given point in time, subject to the right of Parent Company, Master Franchisor and Franchisor to impose changes. Franchisee shall comply, at Franchisee's sole expense, with the directions of Parent Company, Master Franchisor and Franchisor regarding changes in the Stickhouse Marks and Stickhouse System within a reasonable time after written notice from Franchisor. Parent Company, Master Franchisor and Franchisor shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with these directions and conforming to required changes.

9.4 **Defense of Stickhouse Marks and Stickhouse System**. Parent Company, Master Franchisor and Franchisor shall have the sole right to handle disputes with third parties concerning the ownership of, rights in, or Franchisee's use of, the Stickhouse Marks or the Stickhouse System. Franchisee shall immediately notify Franchisor in writing if Franchisee receives notice, or is informed, of any (i) improper use of any of the Stickhouse Marks or elements of the Stickhouse System, including misuse by other area developers, (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's judgment, may be confusingly similar to any of the Stickhouse Marks, (iii) use by any third party of any business practice which, in Franchisee's judgment, unfairly simulates the Stickhouse System in a manner likely to confuse or deceive the public, or (iv) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee's use of the Stickhouse Marks or the Stickhouse System. Parent Company, Master Franchisor and Franchisor shall have sole discretion to take all action as they deem appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Stickhouse Marks or the Stickhouse System. Franchisee shall not settle or compromise any claim, suit or demand asserted against it and agrees to be bound by the decisions of Parent Company, Master Franchisor and Franchisor in handling disputes regarding the Stickhouse Marks and the Stickhouse System. Franchisee shall cooperate fully with Parent Company, Master Franchisor and Franchisor and execute all documents and perform all actions as may, in their judgment, be necessary, appropriate or advisable in the defense of all claims, suits or demands and to protect and maintain the respective rights of Parent Company, Master Franchisor and Franchisor to the Stickhouse Marks and the Stickhouse System. Unless it is established that a third party claim asserted against Franchisee is based directly upon Franchisee's misuse of the Stickhouse Marks or the Stickhouse System, Parent Company, Master Franchisor and Franchisor shall defend Franchisee against the third party claim and indemnify Franchisee for any losses resulting therefore, provided Franchisee has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Parent Company, Master Franchisor and Franchisor will defend the third party claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Franchisee has no right, independent of Parent Company, Master Franchisor and Franchisor to make any demand against any such user or challenger or to prosecute any claim of any kind or nature whatsoever relating to the Stickhouse Marks.

10. ADVERTISING

To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same~~:~~, Franchisor has established the following provisions:

10.1 **Local Advertising and Promotion**. Franchisee shall conduct all local advertising and promotion in accordance with the policies and provisions with respect to format, content, media, geographic coverage and other criteria as are from time to time contained in the Manuals, or as otherwise directed by Franchisor, and shall not use or publish any advertising material or in any way use or display any of the Stickhouse Marks except in accordance with said policies and provisions and with Franchisor's prior written approval. Franchisee shall submit samples of all advertising and promotional plans and materials to Franchisor for Franchisor's approval and may only commence use of the materials after they have been approved, in writing, by Franchisor. Franchisor shall have the right at any time after Franchisee commences use of any materials to prohibit further use, effective upon written notice to Franchisee.

10.2 **Grand Opening Campaign**. At least sixty (60) days before the opening of the Stickhouse Shop, Franchisee shall develop and provide Franchisor with a promotional campaign plan (the "**Grand Opening Plan**") for the grand opening of the Stickhouse Shop.

10.3 **Promotional Campaigns**. From time to time during the Term, Franchisor shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee acknowledges and agrees that participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional materials.

10.4 **Advertising Council**. Franchisor may from time to time establish an Advertising Council for Stickhouse franchisees.

10.5 **Internet**. Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, web site, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Stickhouse Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's prior written consent, and then only in the manner and in accordance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Franchisee shall not separately register any domain name or any portion of any domain name containing the Stickhouse Marks or participate or market on any web site or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using the Stickhouse Marks without Franchisor's prior written consent. Franchisee's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time. Franchisor may, at any time after Franchisee commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Franchisee.

10.6 **Web Sites**. Franchisor shall establish and maintain from time to time, one or more Internet web sites that shall be used to provide information about Stickhouse Shops to the public. Franchisor has sole discretion and control over the establishment, design and content of the web site. Franchisor may, in its discretion, configure the site to accommodate one or more interior pages which Franchisor shall dedicate, in whole or in part, to the Stickhouse Shop, all at Franchisee's expense. Franchisor shall have the right, at its sole option, from time to time, to (i) change, revise, or eliminate the design, content and functionality of the web site, (ii) make operational changes to the web site, (iii) change or modify the URL and/or domain name of the web site, (iv) substitute, modify, or rearrange the web site, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to comply with Applicable Laws, or respond to changes in market conditions or technology and respond to any other circumstances, (v) limit or restrict end-user access (in whole or in part) to the web site, and (vi) disable or terminate the web site without any liability to Franchisee.

10.7 **Marketing Fund**. Upon ninety (90) days' written notice to Franchisee, Franchisor may begin to collect the monthly Marketing Fee. If implemented, Franchisee shall contribute monthly to the Marketing Fund the amount of Marketing Fees specified by Franchisor from time to time, which amount shall not exceed two percent (2%) of the Gross Sales of the Stickhouse Shop during the immediately preceding month. If and when required by Franchisor, the Marketing Fees shall be paid on the first calendar day of each month in the manner provided in Section 4.4. Franchisor may, from time to time, offer Franchisee the opportunity to purchase point of sale advertising materials, posters, flyers, product displays, templates and other promotional materials for the Stickhouse Shop at Franchisor's direct costs for the same. The Marketing Fund shall be administered by Franchisor and shall be used to meet the costs of conducting marketing and promotional activities. Franchisor retains sole discretion over all marketing and public relations programs and activities financed by the Marketing Fund, including the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. Company-owned and Affiliate owned Stickhouse Shops may, but are not required to, contribute to the Marketing Fund. If they do, they may not be required to contribute in the same percentage as Franchisee and may stop contributing at any time without notice to Franchisee.

10.7.1 The Marketing Fund may be used to pay the costs of preparing and producing associated materials and programs as Franchisor determines, including video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research and other marketing and promotional activities, campaigns, test marketing, marketing surveys, public relations activities, Website design and development/operation for portal, Internet, Intranet and URL services, social media, technology programs, electronic application design and development, and for 800 or similar numbers. All expenditures are at the sole discretion of Franchisor. Franchisor may spend in any calendar year more or less than the total contributions to the Marketing Fund in that calendar year. Franchisor may borrow from Franchisor or other lenders on behalf of the Marketing Fund to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. Franchisor shall prepare an annual unaudited accounting of the expenditures of the Marketing Fund which will be provided to Franchisee upon Franchisee's written request.

10.7.2 Franchisee acknowledges that the Marketing Fund is intended to maximize general public recognition of and the acceptance of the Stickhouse brand for the benefit of the Stickhouse System as a whole. Franchisor undertakes no obligation, in administering the Marketing Fund, to make expenditures for Franchisee that are equivalent or proportionate to its contribution, or to ensure that any particular Franchisee benefits directly or pro rata from marketing or promotion conducted with the Marketing Fund.

10.7.3 Franchisor will maintain the Marketing Fund in an account separate from Franchisor's other monies, and will not use it to defray any of Franchisor's expenses, except for reasonable administrative and marketing wages and costs and overhead which Franchisor may incur in activities related to administering the Marketing Fund and marketing programs for Stickhouse franchisees. Franchisor's printed materials and Website may also contain references stating that "Franchises Are Available" and/or that "Each Stickhouse Franchise Is Independently Owned and Operated" to promote the sale of franchises for Stickhouse businesses. With this exception, no portion of the Marketing Fund will be used to solicit or to sell Stickhouse franchises to prospective Stickhouse franchisees. The Marketing Fund is not and will not be an asset of Franchisor. Any Marketing Fees collected in a calendar year, but not spent in that calendar year, will be carried over to the next calendar year. Franchisor shall have the right, in its sole discretion, to terminate the collection and disbursement of Marketing Fees upon ninety (90) days' prior written notice to Franchisee. Upon termination, Franchisor shall disburse the remaining Marketing Fees on hand only for the purposes authorized by this Section 10.7.

11. CONFIDENTIAL INFORMATION

11.1 **Confidential Information**. Franchisee acknowledges and agrees that the Stickhouse System is comprised of confidential information that has been developed by Parent Company, Master Franchisor, Franchisor, and their Affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Parent Company, Master Franchisor, Franchisor and their Affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to business operations, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Parent Company, Master Franchisor and Franchisor and other companies, persons or Entities, knowledge or know-how concerning the methods of operation of the Stickhouse Shop which may be communicated to Franchisee, or of which Franchisee may be apprised under the terms of this Agreement, and any other information or material considered proprietary by Parent Company, Master Franchisor and Franchisor whether or not designated as confidential information by Parent Company, Master Franchisor and Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Parent Company, Master Franchisor and Franchisor or their Affiliates and which is the subject of efforts by Parent Company, Master Franchisor and/or Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Franchisee prior to its Disclosure by Franchisor, is or becomes generally available to the public by acts other than those of Franchisee after receiving it, has been received lawfully and in good faith by Franchisee from a third party who did not derive it from Parent Company, Master Franchisor, Franchisor or Franchisee, or is shown by acceptable evidence to have been independently developed by Franchisee.

11.2 **Value**. Franchisee acknowledges and agrees the Confidential Information (a) is not generally known by the public or parties other than Parent Company, Master Franchisor, Franchisor and their Affiliates, their licensees and franchisees, and Franchisee, (b) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Parent Company, Master Franchisor and/or Franchisor, their licensees or franchisees or Franchisee, and (c) is the subject of efforts by Parent Company, Master Franchisor and Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties, (ii) requiring Stickhouse licensees and franchisees to acknowledge and agree in writing that the Confidential Information is confidential, (iii) requiring Stickhouse licensees and franchisees to agree in writing to maintain the confidentiality of the Confidential Information, (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties, and (v) requiring its Stickhouse licensees and franchisees to return all Confidential Information to Parent Company, Master Franchisor and Franchisor upon the expiration or termination of their license agreements and/or franchise agreements.

11.3 **Maintain Confidentiality**. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, Franchisee shall not, during the Term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Parent Company, Master Franchisor, or Franchisor consider Trade Secrets and/or Confidential Information. Franchisee shall divulge such Confidential Information only to its supervisorial or managerial personnel who must have access to it in order to perform their employment responsibilities.

11.4 **Irreparable Injury from Disclosure of Confidential Information**. Franchisee acknowledges that failure to comply with the requirements of this Article 11 will result in irreparable injury to Parent Company, Master Franchisor and Franchisor for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Parent Company, Master Franchisor and/or Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Article 11.

11.5 **Confidentiality Covenants from Individuals Associated with Franchisee**. Franchisee shall require any supervisorial or managerial employee who may have access to any Confidential Information of Parent Company, Master Franchisor and/or Franchisor to execute covenants that they will maintain the confidentiality of the Confidential Information they receive in connection with their association with

Franchisee. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Parent Company, Master Franchisor and Franchisor as third-party beneficiaries of such covenants with the independent right to enforce them.

12. ACCOUNTING AND RECORDS

12.1 **General Reporting**. Franchisee shall submit monthly statistical control forms and other financial, operational and statistical information that Franchisor may require (i) to assist Franchisee in the operation of the Stickhouse Shop, (ii) to allow Franchisor to monitor Gross Sales, purchases, costs and expenses, (iii) to enable Franchisor to develop chain wide statistics, (iv) to assist Franchisor in the development of new Authorized Stickhouse Products or the removal of existing unsuccessful Authorized Stickhouse Products, (v) to enable Franchisor to refine existing Authorized Stickhouse Products, and (vi) to generally improve chain-wide understanding of the Stickhouse System (collectively, the "**Reporting Information**").

12.2 **Specific Reporting**. Unless otherwise agreed by Franchisor in writing, Franchisee shall submit condensed reports of daily Gross Sales to Franchisor on a monthly basis in accordance with the guidelines established by Franchisor. Franchisee will electronically link the Stickhouse Shop to Franchisor and will allow Franchisor to poll the POS Stickhouse System on a daily basis at a time selected by Franchisor to retrieve Reporting Information including sales, sales mix, usage and operations data. Further:

12.2.1 Within ten (10) days following the end of each month during the Term, or at any other interval that Franchisor may establish, Franchisee shall submit a Gross Sales report signed by Franchisee, in the form and manner prescribed by Franchisor, reporting all Gross Sales for the preceding month, together with the additional financial information that Franchisor may, from time to time, request.

12.2.2 Within forty-five (45) days following the end of each calendar quarter during the Term, Franchisee shall submit to Franchisor financial statements for the preceding quarter, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by Franchisor and in accordance with generally accepted accounting principles, which shall be certified by Franchisee to be accurate and complete.

12.2.3 Within forty-five (45) days following the end of each calendar year during the Term, Franchisee shall submit to Franchisor an unaudited annual financial statement prepared in accordance with generally accepted accounting principles, and in the form and manner prescribed by Franchisor, which shall be certified by Franchisee to be accurate and complete. Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate Governmental Authority. Franchisor reserves the right to require the further information concerning the Stickhouse Shop that Franchisor may, from time to time, reasonably request.

12.3 **Audits**. Franchisee shall prepare, and keep for not less than three (3) years following the end of each of its fiscal years, adequate books and records showing daily receipts in, at and from the Stickhouse Shop, applicable sales tax returns, if any, all pertinent original serially numbered sales slips and cash register records, and the other sales records as may be reasonably required by Franchisor, from time to time, to verify the Gross Sales reported by Franchisee to Franchisor, in a form suitable for an audit of Franchisee's records by an authorized auditor or agent of Franchisor. Such information shall be broken down by categories of goods, foods and beverages sold, when possible. Franchisor, its agents or representatives may, at any reasonable time during normal working hours, audit or review Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. If any audit or other investigation reveals an under-reporting or under-recording error of three percent (3%) or more, then in addition to any other sums due, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include, without limitation, Franchisor's travel, lodging and wage expenses and reasonable accounting and legal expenses, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of eighteen percent (18%) per annum.

12.4 **Books and Records**. Franchisee shall maintain an accounting and record keeping system, which shall provide for basic accounting information necessary to prepare financial statements, a general ledger and reports required by this Agreement and the Manuals. Franchisee shall maintain accurate, adequate and verifiable books and supporting documentation relating to the accounting information

12.5 **Use of Financial Statements in Disclosure Document**. Franchisee hereby irrevocably consents to Franchisor's use of information contained in its financial statements, at Franchisor's election, in its Franchise Disclosure Document for the offer and sale of franchises.

13. INSURANCE

13.1 **Franchisee's Insurance Obligations**. Franchisee shall obtain and maintain throughout the Term the types and amounts of insurance required by Franchisor and shall provide Franchisor with proof of coverage and Certificates of Insurance upon demand. ~~Workers Compensation Insurance~~Workers' compensation insurance must be in compliance with local laws and regulations. This insurance shall protect Franchisee and Franchisor 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 Stickhouse Shop. In addition to all other insurance required by this Section 13.1, Franchisee shall maintain Employment Practices Liability Insurance with a co-defendant endorsement in favor of the Parent Company, Master Franchisor and Franchisor. Each policy shall (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which the Stickhouse Shop is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide, (ii) name the Parent Company, Master Franchisor and Franchisor as additional insureds, and (iii) comply with the requirements prescribed by Franchisor at the time the policies are obtained. Franchisee and Franchisee's insurers shall agree to waive their rights of subrogation against the Parent Company, Master Franchisor, Franchisor, and Franchisee shall provide evidence of the waiver in accordance with this Section 13.1. Franchisee's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 18.4.

13.2 **Required Endorsements and Certificates**. All public liability and property damage policies shall contain a provision that the Parent Company, Master Franchisor, Franchisor and their Affiliates, although named as additional insureds, shall nevertheless be entitled to recover under the policies on any loss occasioned to the Parent Company, Master Franchisor, Franchisor, or their Affiliates, partners, shareholders, directors, agents, or employees by reason of the negligence of Franchisee or its partners, shareholders, directors, agents, or employees. At least ten (10) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by the Certificates. Certificates evidencing the insurance required by this Article 13 shall name the Parent Company, Master Franchisor and Franchisor and each of their Affiliates, partners, shareholders, directors, agents, and employees as additional insureds on the additional-insured Grantor of Franchise Form CG-2029 or an insurer's comparable form, and shall expressly provide that any interest of each shall not be affected by any breach by Franchisee of any policy provisions for which the Certificates evidence coverage. -

13.3 **Franchisor's Right to Secure Insurance on Behalf of Franchisee**. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as the requirements may be revised from time to time by Franchisor in the Manuals or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to immediately procure the insurance and to charge the same to Franchisee, which charges, together with Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

14. TRANSFER OF INTEREST

14.1 **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 or approval 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 the obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Parent Company, Master Franchisor and Franchisor and their Affiliates may sell their assets, the Stickhouse Marks, or the Stickhouse System may sell their assets, the Stickhouse Marks, or the Stickhouse System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring all without the consent or approval of Franchisee.

14.2 **Assignment by Franchisee**. Franchisee acknowledges and agrees that the rights granted to Franchisee under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is an Entity, that of the Owners. Accordingly, to protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, Franchisee shall not offer, sell, or negotiate the sale of its rights under this Agreement to any third party, either in Franchisee's own name or in the name and/or on behalf of Franchisor, except as otherwise provided in this Agreement. Franchisee acknowledges and agrees that Franchisee has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly (an "**Assignment**"), (i) any interest in this Agreement, or (ii) the right to use the Stickhouse System or the Stickhouse Marks without Franchisor's prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor's judgment, Franchisee satisfies the conditions to the Assignment identified in this Agreement.

14.2.1 Unless the Parties otherwise agree in writing, Franchisee shall not make any Assignment of this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all Stickhouse Shops then owned and operated by Franchisee. As a condition to Franchisor's consent to an Assignment, the assignee must execute Franchisor's Then-Current form of Franchise Agreement for each Stickhouse Shop sold to the assignee. Further, without Franchisor's prior written consent, which may be withheld by Franchisor in its discretion, (i) Franchisee shall not offer for sale or transfer at public or private auction any of the rights of Franchisee under this Agreement, and (ii) Franchisee shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Franchisee shall provide not less than ten (10) ~~days~~days' prior written notice (which notice shall contain the name and address of the secured party and the terms of the pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

14.2.2 For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to transfer identified in this Agreement (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Franchisee pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Franchisee, (iv) the issuance of any securities by Franchisee which itself or in combination with any other transactions results in the Owners, as constituted on the Effective Date, owning less than fifty percent (50%) of the outstanding Equity or voting power of Franchisee, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected Franchisee shall promptly provide Franchisor with written notice (stating the information that Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "Assignment" as defined under this Article 14.

14.2.3 Neither Franchisor's right of first refusal nor the other conditions of Assignment shall apply to a transfer by Franchisee of all of Franchisee's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the Equity or voting interests of the new business Entity are owned by the same Owners (a "**Qualified Assignment**"). Any attempted or purported Assignment which fails to comply with the requirements of this Article 14 shall be null and void and shall constitute a Default under this Agreement.

14.3 **Right of First Refusal**. Except with respect to a "**Qualified Assignment**", if Franchisee or an Owner receive a bona fide written offer ("**Third Party Offer**") from a third party (the "**Proposed Buyer**") to purchase or otherwise acquire any interest in Franchisee which will result in an Assignment within the meaning of this Agreement, Franchisee or the Proposed Buyer shall, within five (14) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to purchase or otherwise acquire all Stickhouse Shops then owned and operated by Franchisee, or its Affiliates.

14.3.1 Franchisee, or the Proposed Buyer, shall attach to its application for consent to complete the transfer a copy of the Third Party Offer together with (i) information relating to the Proposed Buyer's experience and qualifications, (ii) a copy of the Proposed Buyer's current financial statement, and (iii) any other information material to the Third Party Offer, Proposed Buyer, or proposed Assignment, or that Franchisor requests.

14.3.2 Parent Company, Master Franchisor and/or Franchisor and/or their nominee shall have the right, exercisable by written notice ("**Purchase Notice**") given to Franchisee or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Proposed Buyer that it will purchase or acquire the rights, assets, Equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Parent Company, Master Franchisor and/or Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of all amounts then due and owing from Franchisee to Franchisor under this Agreement or otherwise.

14.3.3 If Parent Company, Master Franchisor and/or Franchisor and/or their nominee elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Parent Company, Master Franchisor and/or Franchisor.

14.3.4 If Parent Company, Master Franchisor and/or Franchisor do not elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Franchisee. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Parent Company, Master Franchisor and/or Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 14.3.

14.4 **Conditions of Assignment to Third Party**. As a condition to obtaining Franchisor's consent to an Assignment, all of the following conditions must be satisfied:

14.4.1 The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor's Then-Current qualifications for new Stickhouse franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.

14.4.2 Franchisee must be in Good Standing on the date consent is requested and until the date of closing of the Assignment.

14.4.3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either Franchisee or the Proposed Buyer if Franchisor approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties.

14.4.4 The Proposed Buyer must sign Franchisor's Then-Current form of Franchise Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects, except that the term of the replacement Franchise Agreement shall be the remaining Term of this Agreement. In exchange for signing the Then-Current Franchise Agreement, the Proposed Buyer shall receive the rights provided for in this Agreement. If the Proposed Buyer is an Entity, each owner and each owner's spouse of the Proposed Buyer shall jointly and severally guarantee the Proposed Buyer's performance of its obligations in the Then-Current Franchise Agreement under a Guarantee in substantially the form of **Exhibit C**. If Franchisor is not offering new Stickhouse franchises, is in the process of revising, amending or renewing Franchisor's form of Franchise Agreement or Franchise Disclosure Document or is not lawfully able to offer Franchisor's Then-Current form of Franchise Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the Term on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Franchise Agreement.

14.4.5 Franchisee will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the transfer, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and nondisclosure of Confidential Information.

14.4.6 Franchisee and the Proposed Buyer shall execute a General Release in favor of Parent Company, Master Franchisor and Franchisor in a form acceptable to Franchisor of all known and unknown liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, that they have, may have or believe to have against Parent Company, Master Franchisor and Franchisor and their Affiliates and their officers, directors, agents, shareholders and employees as of the date of the General Release.

14.4.7 Franchisee shall pay Franchisor the sum of $10,000 as a transfer fee to apply against Franchisor's administrative and other costs to process the Assignment.

14.4.8 Franchisee must simultaneously transfer its rights in all contracts for which continuation is necessary for operation of the Stickhouse Shop to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Franchisee's rights to the Proposed Buyer. The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained. If the Proposed Buyer is a corporation, limited liability company or other business Entity, each person who at the time of the Assignment, or later, owns or acquires, either legally or beneficially, twenty percent (20%) or more of the Equity or voting interests of the Proposed Buyer must execute a Guarantee in a form acceptable to Franchisor.

14.4.9 Franchisee's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Franchisee and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied.

14.4.10 Except when the Proposed Buyer is an existing Franchisee or franchisee of Franchisor, the Proposed Buyer and a supervisorial or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Stickhouse Shop and who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment.

14.4.11 The Proposed Buyer must conform the Stickhouse Shop with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Stickhouse Shops.

14.4.12 Franchisee must sign a guarantee personally guaranteeing the Proposed Buyer's obligations under the new Franchise Agreement in favor of Franchisor.

14.5 **Death or Incapacity**. In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Owner, or the remaining Owners (the "**Successor**") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Owner, or (ii) complete an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party, subject to the provisions of this Article 14. If a Successor has not purchased the interest of the deceased or incapacitated Owner or completed an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

14.6 **Transfer by Franchisee in Bankruptcy**. If, for any reason, this Agreement is not terminated pursuant to Section 16.1 and this Agreement is assumed, or Assignment of the same to any person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, setting forth (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept Assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Parent Company, Master Franchisor and/or Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by the assignee for the Assignment of this Agreement.

15. COVENANTS

15.1 **No Prior Experience, Information or Knowledge**. Franchisee specifically acknowledges and agrees that prior to becoming a franchisee of Franchisor, Franchisee had no experience, information or knowledge whatsoever about an ice cream or frozen dessert shop or a Stickhouse Shop and that Franchisee's knowledge of the Confidential Information was obtained solely from Franchisor, following Franchisee's Training by Franchisor and Franchisee's subsequent operation of the Stickhouse Shop under this Agreement. In addition, Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized Training and Confidential Information, including, without limitation, Confidential

Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Stickhouse System, which (i) are unique and proprietary to Parent Company, Master Franchisor and/or Franchisor, (ii) derive independent economic value from not being generally known to the public and (iii) are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.

15.2 **Non-Competition During Term of Agreement**. Franchisee and each Owner covenants that during the Term, except as otherwise approved in writing by Franchisor, Franchisee and each Owner shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal Entity (i) divert or attempt to divert any present or prospective Stickhouse customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Stickhouse Marks and the Stickhouse System, (ii) employ or seek to employ any person who is or has been within the preceding thirty (30) days employed by Franchisor or an Affiliate of Franchisor as a supervisorial or managerial employee, or otherwise directly or indirectly induce the person to leave his or her employment, or (iii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this Section 15.2 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, and employee or otherwise associated in any capacity with Franchisee.

15.3 **Non-Competition After Expiration or Termination of Agreement**. Except as Franchisor otherwise approves in writing, commencing upon the date of (i) an Assignment permitted under Article 14 ~~of this Agreement~~ (ii) the Expiration Date of this Agreement, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 15.3 and continuing for an uninterrupted period of two (2) years thereafter, Franchisee and each Owner shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located at the Franchised Location or within twenty (20) miles of any Stickhouse Shop or the Franchised Location, provided, however, the restrictions stated in this Section 15.3 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

15.4 **Violation of Covenants**. If Franchisee or any Restricted Person shall commit any violation of Section 15.3 during the two (2) year period following (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment during the Term, (iii) the cessation of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 15.3, in addition to all other remedies available to Franchisor, Franchisee or the Restricted Person shall pay Franchisor, throughout the twenty-four (24) month period, ten percent (10~~%~~%) of all revenue –derived from the operation of the Competitive Business, including– from the sale of any merchandise, other products and services at or from the Competitive Business and all other income of every kind and nature of the Competitive Business ("**Post Termination Gross Sales**") in violation of Section 15.3. Franchisee shall account for and pay the ten percent (10~~%~~%) of the Post Termination Gross Sales to Franchisor on the fifteenth day of each month on the Post Termination Gross Sales of the Competitive Business during the preceding month. Franchisor shall have the right to audit the books and records of the Competitive Business in with the same manner as that described in Section 12.3 ~~of this Agreement~~ to confirm Franchisee's compliance with this Section 15.4 upon prior notice to Franchisee.

15.5 **Exceptions to Covenants**. Sections 15.2 and 15.3 shall not apply to ownership by Franchisee or ownership by an Owner of a less than five percent (5%) beneficial interest in the outstanding Equity securities of any Competitive Business registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

15.6 **Reducing Scope of Covenants**. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 15.3 or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

15.7 **Reasonable Good Faith Estimate**. -Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages and expenses Franchisor will incur if Franchisee or any Restricted Person shall commit any violation of Section 15.3 during the two (2) year period following (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment during the Term, (iii) the cession of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 15.3 due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months left to complete the then-current Term, the uncertainty regarding the Gross Sales of the Stickhouse Shop during the remainder of the then-current Term, the amount of Royalty Fees Franchisee would have paid Franchisor based upon the Gross Sales of the Stickhouse Shop and the like as well as the amount of the fees that Franchisor will collect from Franchisee upon the occurrence of the circumstances described in Section 15.3. Franchisor and Franchisee further acknowledge and agree that the ten percent (10%) fee of Post Termination Gross Sales is a reasonable, good faith estimate of those damages.

15.8 **Covenants from Individuals**. Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 15 (including covenants applicable upon the termination of a person's relationship with Franchisee) from all Owners. Every covenant required by this Section 15.8 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

15.9 **Interference with Employment Relations**. Without Franchisor's prior written consent, during the Term and for a period of twenty-four (24) months following the termination, expiration or nonrenewal of this Agreement, or if there shall occur an Assignment, neither Franchisee, its Owner(s) of their respective Affiliates, officers, directors or managers, or any of them, shall in any capacity whatsoever, either directly or indirectly, hire, solicit or encourage to leave the employment of Franchisor, or any of its Affiliates, or any licensee or franchisee of Franchisor. any employee of Franchisor or its Affiliates (or any person who the persons knew or should have known was an employee of any licensee or franchisee of Franchisor) or hire any employee who has left the employment of Franchisor, or any of its Affiliates (or any licensee or franchisee) within one (1) year of the termination of the employee's employment with Franchisor, or any of its Affiliates or its Licensees or franchisees.

15.10 **Effect of Applicable Law**. In the event any portion of the covenants in this Article 15 violates laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any reduced covenant upon receipt of written notice. The provisions of this Article 15 shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

15.11 **Business Practices**. 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 Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "Anti-Terrorism Laws") in connection with its compliance, Franchisee certifies, represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's 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, in accordance with the provisions of Section 16.2.

15.12 **Survival**. The provisions of this Article 15 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or the Stickhouse Marks, the Stickhouse System, the Confidential Information, the Trade Secrets, or any other proprietary aspects of Franchisor's business.

16. DEFAULT AND TERMINATION

16.1 **Termination in the Event of Franchisee's Bankruptcy or Insolvency**. Franchisee shall be deemed to be in Default under this Agreement, and all rights granted to Franchisee of this Agreement shall automatically terminate without notice to Franchisee, (i) if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, (ii) if a petition in bankruptcy is filed under any foreign, state or United States Bankruptcy Act by Franchisee or if a petition is filed against and not opposed by Franchisee, (iii) if Franchisee is adjudicated as bankrupt or insolvent, (iv) if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for the Stickhouse Shop is filed and consented to by Franchisee, (v) if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, (vi) if proceedings for a composition with creditors under any Applicable Law is instituted by or against Franchisee, (vii) if a final judgment in excess of $100,000 against the Stickhouse Shop remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), (viii) if Franchisee admits Franchisee is unable to generally pay Franchisee's debts as they become due, (ix) if execution is levied against the Stickhouse Shop or property, (x) if suit to foreclose any lien or mortgage against the Stickhouse Shop, the Franchised Location or the equipment of the Stickhouse Shop is instituted against Franchisee and not dismissed within thirty (30) days, or (xi) if the Stickhouse Shop or the Franchised Location shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.2 **Option to Terminate without Opportunity to Cure**. Franchisee shall be deemed to be in Default and Franchisor may, at its option, terminate this Agreement and all rights granted ~~hereunder~~under this Agreement, without affording Franchisee any opportunity to cure the Default, effective immediately upon receipt of notice by Franchisor upon the occurrence of any of the following events.

16.2.1 If Franchisee shall Abandon the Stickhouse Shop.

16.2.2 If Franchisee shall purport to make any Assignment without the prior written consent of Franchisor.

16.2.3 If Franchisee shall Default in any obligation as to which Franchisee has previously received three (3) or more written notices of Default from Franchisor setting forth the Default complained of within the preceding twelve (12) months.

16.2.4 If Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the operations of the Stickhouse Shop.

16.2.5 If Franchisee fails, for a period of ten (10) days after having received notification of noncompliance from Franchisor or any Governmental Authority, to comply with any federal, state or local law or regulation applicable to the operation of the Stickhouse Shop.

16.2.6 If Franchisee's operation of the Stickhouse Shop constitutes an imminent danger to the public health or if Franchisee sells unauthorized products to the public after Notice of Default and thereafter sells the products, whether or not Franchisee has cured the Default after one or more notices.

16.2.7 If an audit or investigation conducted by Franchisor discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated its Gross Sales or withheld the reporting of the same as provided in this Agreement.

16.2.8 If Franchisee or any of its Owners, are convicted of or plead guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect Franchisor's reputation, the Stickhouse System, the Stickhouse Marks or the goodwill associated the same, however, if the crime or offense is committed by an Owner other than the Operating Principal, Franchisor may only terminate this Agreement under this Section 16.2.8 if the convicted Owner fails to sell its interest in Franchisee to Franchisee's other Owners within thirty (30) days after the conviction or guilty plea.

16.2.9 If Franchisee materially misuses or makes any unauthorized use of the Stickhouse Marks or otherwise materially impairs the goodwill associated with those Marks or Franchisor's rights in them, or takes any action that reflects materially and unfavorably upon the operation and reputation of the Stickhouse Shop or the Stickhouse chain generally.

16.2.10 If Franchisee makes any unauthorized use, disclosure, or duplication of the Trade Secrets or Confidential Information.

16.2.11 If Franchisee fails to purchase and maintain in inventory the types and quantities of Stickhouse Branded Products, Stickhouse Proprietary Products or Non-Proprietary Products necessary to meet reasonably anticipated consumer demand.

16.2.12 If Franchisee shall or purports to purchase Stickhouse Branded Products or Stickhouse Proprietary Products or Non-Proprietary Products from other than a Stickhouse Approved Supplier and fails to cease use of the non-complying product within three (3) days after having received notification from Franchisor to do so.

16.2.13 If Franchisee shall Default in any obligation under this Agreement that by its nature is not capable of being cured by Franchisee.

16.2.14 If Franchisee fails to meet the site selection requirements, enter a Lease or open the Stickhouse Shop within the applicable time periods provided for in this Agreement.

16.3 **Termination with Notice and Opportunity to Cure**. Except for any Default by Franchisee under Sections 16.1 or 16.2, and as expressly provided elsewhere in this Agreement, Franchisee shall have five (5) days in the case of any monetary Default and ten (10) days in the case of any other type of Default, following the receipt of a notice of Default (a "**Notice of Default**") demanding the cure of the Default, to provide evidence of the cure to Franchisor. If any Default is not cured within that time period, or any longer time period that Applicable Law may require or that Franchisor may specify in the Notice of Default, this Agreement and all rights granted in this Agreement shall automatically terminate without further notice or opportunity to cure.

16.4 **Reimbursement of Franchisor Costs**. Upon a Default by Franchisee, all of Franchisor's costs and expenses arising from the Default, including reasonable attorneys' fees, shall be paid to Franchisor within five (5) days after cure or upon demand by Franchisor if the Default is not cured.

16.5 **Cross-Default**. Except for a Default under, or the termination of, any Area Development Agreement consisting solely of Franchisee's failure to meet its development schedule, any Default by Franchisee under the terms and conditions of this Agreement or any other agreement between Franchisor, or its Affiliates, and Franchisee, or its Owners or Affiliates, shall be deemed to be a Default of each and every agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the Parties, Franchisor may, at its option, terminate any or all of the agreements.

16.6 **Notice Required By Law**. Notwithstanding anything to the contrary contained in this Article 16, if any valid Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the Parties shall limit Franchisor's rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by that Applicable Law. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of Applicable Laws in any action, hearing or dispute relating to this Agreement or the termination of this Agreement.

16.7 **Interim Management**. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, after Franchisor has given Franchisee written notice that Franchisee is in Default, Franchisor may (but is not obligated to) assume interim management of the Stickhouse Shop during the pendency of any cure period or in lieu of immediately terminating this Agreement. If Franchisor elects to assume interim management of the Stickhouse Shop (i) Franchisor's election will not relieve Franchisee of Franchisee's obligations under this Agreement, (ii) Franchisor will not be liable for any debts, losses, costs or expenses incurred in the operation of the Stickhouse Shop during any interim management period, (iii) Franchisor will have the right to charge a reasonable fee for the management services, not to exceed $500 per day, plus Franchisor's out of pocket costs, if any, and (iv) Franchisee agrees to, and hereby does, indemnify and hold Franchisor harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with the interim management of the Stickhouse Shop, other than those arising solely from the gross negligence or willful misconduct of Franchisor.

16.8 **Delay by Force Majeure**. Franchisee shall provide Franchisor, within ten (10) days after the occurrence of an event that Franchisee believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Franchisee's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay Franchisee shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Franchisee's progress and diligence in responding to and overcoming the event of Force Majeure. If Franchisor determines that the Default is the result of an event of Force Majeure, the required date for performance by Franchisee shall be extended by the number of days equal to the number of days that the Force Majeure exists.

16.9 **Termination by Franchisee**. Franchisee may terminate this Agreement due to a material Default by Franchisor of its obligations ~~hereunder~~under this Agreement, which Default is not cured by Franchisor within sixty (60) days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged Default with specificity, provided, that if the Default is such that it cannot be reasonably cured within such sixty (60) day period, Franchisor shall not be deemed in Default for so long as it commences to cure such Default within sixty (60) days and diligently continues to prosecute such cure to completion. This is a material term of this Agreement and a mediator shall not, and shall not have the power or authority to, waive, modify or change this requirement in any mediation proceedings or otherwise. If

Franchisee terminates this Agreement pursuant to this Section, Franchisee shall comply with all of the terms and conditions of Article 17.

17. OBLIGATIONS FOLLOWING TERMINATION OR EXPIRATION

17.1 **General**. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, upon the expiration or termination of Franchisee's rights granted under this Agreement, Franchisee shall immediately cease to use all Trade Secrets, Confidential Information, the Stickhouse Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia Franchisee shall at its own cost immediately return the Manuals and all written materials incorporating Trade Secrets and all copies of any of the same to Franchisor. Franchisee shall at its own cost make cosmetic changes to the Stickhouse Shop and the Franchised Location so that they no longer contain or resemble Franchisor's proprietary designs and shall remove all Stickhouse identifying materials and distinctive Stickhouse cosmetic features and finishes, soffits, interior wall coverings and colors, exterior finishes and colors and signage from the Franchised Location that Franchisor may reasonably direct.

17.2 **Prior Payments~~.~~; Liquidated Damages.** Franchisor may retain all fees paid to Franchisor pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts remaining due to Franchisor and its Affiliates. If this Agreement terminates due to a Default by Franchisee, the amounts to be paid by Franchisee shall include all damages, and costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the Default, which obligation shall remain, until paid in full, a lien in favor of Franchisor against assets of the Stickhouse Shop. Franchisee hereby appoints Franchisor as its attorney in fact, with full power and authority to execute on Franchisee's behalf all documents necessary to obtain and perfect this lien. In addition to the foregoing, Franchisee shall pay Franchisor, within thirty (30) days following the date of termination, an amount equal to the product of two (2) multiplied by the total Royalty Fees paid (or if unpaid, payable) by Franchisee during the twelve (12) months immediately preceding the effective date of termination to account for the actual damages that Franchisor shall suffer as a result of the termination of this Agreement during the time period that Franchisor estimates will expire while Franchisor searches for a replacement franchisee for the Stickhouse Shop or for a replacement Stickhouse Shop location in the trade area of the Stickhouse Shop. Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages Franchisor will incur upon the termination of this Agreement due to the complications inherent in determining the amount of revenue lost by Franchisor and the uncertainty regarding the number of months that will expire while Franchisor searches for a replacement franchisee for the Stickhouse Shop or for a replacement Stickhouse Shop location in the trade area of the Stickhouse Shop. Franchisor and Franchisee further acknowledge and agree that this calculation of Franchisor's potential damages is a reasonable, good-faith estimate of those damages. If Franchisor is unable to make this calculation because of Franchisee's failure to report the Gross Sales of the Stickhouse Shop, Franchisor may estimate the Gross Sales of the Stickhouse Shop for the applicable period based upon the historical financial information available to Franchisor at that time.

17.3 **Termination of Obligations and Rights**. Following the termination or expiration of this Agreement, any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate. Likewise, any and all rights of Franchisee under this Agreement shall immediately cease and terminate and Franchisee shall immediately cease and thereafter refrain from representing itself as a then or former Franchisee or other Affiliate of Franchisor.

17.4 **Telephone Numbers**. Franchisor shall have the option, exercisable by written notice within thirty (30) days after the termination of this Agreement, to take an assignment of all telephone numbers (and associated listings) for the Stickhouse Shop. Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of its right to use the telephone numbers and the directory listings associated with the Stickhouse Shop, and shall authorize their transfer to Franchisor. Franchisee shall not be not entitled to any compensation from Franchisor if Franchisor exercises this option.

17.5 **<u>Internet</u>**. If Franchisor has previously authorized Franchisee to use the Stickhouse Marks on the Internet, any web site or on any e-mail address, Franchisee shall, at Franchisor's option, cancel or assign to Franchisor all of Franchisee's right, title and interest in any Internet web sites or web pages, e-mail addresses, domain name listings and registrations which contain the Stickhouse Marks and Franchisee shall notify all applicable domain name registrars and all listing agencies of the termination of its right to use those domain names, web pages and other Internet device associated with Franchisor or the Stickhouse Shop, and shall authorize their cancellation or transfer to Franchisor, as directed by Franchisor. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this options.

17.6 **<u>Purchase Stickhouse Shop Assets</u>.** Upon the expiration of this Agreement or the termination of this Agreement for any Default of Franchisee, Parent Company, Master Franchisor and/or Franchisor shall have the option, to be exercised by written notice to Franchisee within thirty (30) days after the Expiration Date or termination date, to purchase the assets of the Stickhouse Shop, regardless of whether the Stickhouse Shop is under construction or is Open and operating, and all of the assets of Franchisee related to the Stickhouse Shop that Parent Company, Master Franchisor and/or Franchisor elect to purchase (collectively, the "**Stickhouse Shop Assets**"). The purchase price for the Stickhouse Shop Assets (the "**Purchase Price**") shall be the "**Fair Market Value**" of the Stickhouse Shop Assets as determined under this <u>Section 17.6</u>. "**Fair Market Value**" means the price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the date the option is first exercisable (the "**Exercise Date**"). Parent Company, Master Franchisor and/or Franchisor and Franchisee shall use their best efforts to mutually agree upon the Fair Market Value. If they are unable to so agree within thirty (30) days after the Exercise Date, Parent Company, Master Franchisor and/or Franchisor shall appoint, within forty (40) days of the Exercise Date, one (1) appraiser. The two (2) appraisers shall within a period of five (5) additional days, agree upon and appoint an additional appraiser. The three (3) appraisers shall, within sixty (60) days after the appointment of the third appraiser, determine the Purchase Price in writing and submit their report to Parent Company, Master Franchisor and/or Franchisor and Franchisee. The Purchase Price shall be determined by disregarding the appraiser's valuation that diverges the greatest from each of the other two (2) appraisers' valuations, and the arithmetic mean of the remaining two (2) appraisers' valuations shall be the Purchase Price Parent Company, Master Franchisor and/or Franchisor and Franchisee shall each pay for the services of the appraiser they select, plus one half (1/2) of the fee charged by the third appraiser, and one half (1/2) of all other costs relating to the determination of the Purchase Price. The Purchase Price as so determined shall be payable as Parent Company, Master Franchisor and/or Franchisor and Franchisee mutually agree. If they are unable to so agree within ten (10) days after final determination of the Purchase Price, fifty percent (50%) of the Purchase Price shall be payable in cash and the remaining fifty percent (50%) of the Purchase Price shall be paid in eighty-four (84) equal monthly payments and shall bear interest at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, <u>plus</u> three percent (3%), OR ten percent (10%) per annum, but in no event in excess of the maximum rate permitted by Applicable Law. Payment of the portion of the Purchase Price not paid in cash shall be secured by a security interest in the Stickhouse Shop Assets. Any purchase of the Stickhouse Shop Assets shall include the assumption by Parent Company, Master Franchisor and/or Franchisor and the assignment by Franchisee, of the Lease for the Stickhouse Shop.

17.7 **<u>Survival of Obligations</u>**. Termination or expiration of this Agreement shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages. In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination or post-expiration covenants and agreements, including the obligation of Franchisor and Franchisee to attempt to resolve all disputes by mediation, shall survive the termination or expiration of this Agreement.

17.8 **<u>No Ownership of Stickhouse Marks</u>**. Franchisee acknowledges and agrees that the rights to the Stickhouse Marks and the use of the Stickhouse Marks shall be and remain the property of Parent Company.

Franchisee acknowledges and agrees that any use of the Stickhouse Marks after the termination or expiration of this Agreement shall constitute an unauthorized use of an identical mark and shall entitle Parent Company to damages due to, but not limited to, trademark infringement and counterfeiting.

17.9 **Government Filings**. If Franchisee has registered any of the Stickhouse Marks or the name Stickhouse as part of an assumed, fictitious or corporate name, Franchisee shall promptly amend those registrations to delete the Stickhouse Marks and any confusingly similar marks or names.

18. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

18.1 **No Fiduciary Relationship**. This Agreement does not create a fiduciary relationship between the Parties. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

18.2 **Public Notice of Independent Status**. Franchisee shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Franchisee of Franchisor, and shall place the notice of independent ownership on all forms. Franchisor shall have the right to specify the language of any notice.

18.3 **Independent Contractor**. Franchisee acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any action, nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Stickhouse Shop or for any claim or judgment arising therefrom against Franchisee or Franchisor.

18.4 **Indemnification**. Franchisee and its Owners and Affiliates (collectively, the "**Indemnitors**") shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Parent Company, Master Franchisor and/or Franchisor, their Affiliates and their respective directors, officers, employees, shareholders and agents (collectively, the "**Indemnitees**"), from any and all "**Losses and Expenses**" incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof (collectively, an "**Indemnifiable Claim**") which arises directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Stickhouse Shop and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Franchisee, provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor Parent Company, Master Franchisor and/or Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 18.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Franchisee). For the purpose of this Section 18.4, the term "**Losses and Expenses**" means and includes compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party's reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses.

18.4.1 The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which Indemnification is required under this Section 18.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a "**Third Party Claim**") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a "**Direct Claim**"), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known. If, through the fault of the

Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees' failure to give such notice on a timely basis.

18.4.2 With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume such control shall be made within thirty (30) days after the Indemnitors' receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless the Indemnitors consents to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses).

18.4.3 If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

18.4.4 If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees, which consent shall not be unreasonably withheld or delayed. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they become available).

18.4.5 With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Article 19.

18.4.6 The Indemnitees shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

19. DISPUTE RESOLUTION

19.1 **Mediation**. The Parties pledge to attempt first to resolve any Dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association unless Franchisor and Franchisee agree on alternative rules and a mediator within fifteen (15) days after either Party first gives notice of mediation. Mediation shall be conducted in Los Angeles County, California, and shall be conducted and completed within forty-five (45) days following the date either Party first gives notice of mediation unless otherwise agreed to in writing by Franchisor and Franchisee. The fees and expenses of the mediator shall be shared equally by Franchisor and Franchisee. The mediator shall be disqualified as a witness, expert or counsel for any 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 Franchisor and Franchisee 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. Notwithstanding anything to the contrary set forth in this Agreement, any Party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing Party attorneys' fees in any subsequent legal action. If any dispute remains unresolved ninety (90) days after a demand for mediation by either Party, Franchisor and Franchisee shall each be free to pursue their respective legal remedies under Section 19.2. -

19.2 **Judicial Relief.** The Parties agree that (i) all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court of the Central District of California. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California Conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Stickhouse Shop is located outside of California and such provision would be enforceable under the laws of the state in which the Stickhouse Shop is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 19.2 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

19.3 **Waivers**. The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Franchise, for themselves, and for and on behalf of the Franchisor Owners and the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Franchisee shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 19.5.

19.4 **Specific Performance**. Franchisor and Franchisee acknowledge that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, Franchisor and Franchisee agree that the provisions of this Agreement shall be specifically enforceable. Franchisor and Franchisee further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Franchisee might otherwise have.

19.5 **<u>Exclusive Remedy</u>**. In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement. Each Party waives any claim for damages. Neither Party may claim any damages by way of setoff, counterclaim or defense. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

19.6 **<u>Attorneys' Fees</u>**. In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a court of competent jurisdiction.

19.7 **<u>Exceptions to Mediation</u>**.- The mediation provision in <u>Section 19.1</u> shall not apply to any action for injunctive or other provisional relief, including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to the Parent Company, Master Franchisor and Franchisor and/or to protect the Stickhouse Marks.- Any claim or dispute involving or contesting the validity of any of the Stickhouse Marks shall not be subject to mediation.

20. <u>NOTICES</u>

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party.

Notices to Franchisor:

Gelatoro Franchising, LLC
7095 Hollywood Boulevard
Suite 1008
Hollywood, California 90028
Attention: President

With a copy to (which shall not constitute notice):

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall and Harlan,
A Law Corporation
16633 Ventura Boulevard, 11th Floor
Encino, California 91436

Notices to Franchisee: ______________________

____

____

____

Attention ______________________

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party.

21. **ACKNOWLEDGMENTS**.

21.1 **Waiver and Delay**. No waiver by Franchisor of any Default, or series of Defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it ~~hereunder~~under this Agreement or under any agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or any Franchise Agreement or other agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions of this Agreement.

21.2 **Survival of Covenants**. The covenants contained in this Agreement which, by their nature or terms, require performance by the Parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

21.3 **Successors and Assigns; Third Party Beneficiaries**. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and his or their respective heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement. Franchisor and Franchisee acknowledge and agree that Parent Company and Master Franchisor are third-party beneficiaries under this Agreement and that Parent Company and/or Master Franchisor shall have the right to assume the responsibilities, duties or functions of Franchisor under this Agreement. -

21.4 **Joint and Several Liability**. If Franchisee consists of more than one Owner, the obligations and liabilities of each person or Entity to Franchisor are joint and several.

21.5 **Entire Agreement**. This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Agreement and superseded by this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement and Franchisee agrees that it has executed this Agreement without reliance upon any representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of the Parties. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations made in the Franchise Disclosure Document.

21.6 **Titles and Recitals**. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The Recitals set forth in Recitals A through C of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.

21.7 **Gender and Construction**. The terms of all Exhibits attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in anyone number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section in this Agreement may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Franchisee that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, on any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. 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. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. Franchisor and Franchisee 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.

21.8 **Severability; Modification**. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in that event, the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

21.9 **Counterparts and Electronic Transmission; Electronic Signatures**. 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. -Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

21.10 **Intent to Comply**. Franchisee, and 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 of this Agreement, 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 the terms of this Agreement and be bound by the terms of this Agreement. Franchisor expressly disclaims making, and Franchisee acknowledges that it or 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 business venture contemplated by this Agreement.

21.11 **Independent Investigation**. Franchisee acknowledges that Franchisee has conducted an independent investigation of the business franchised ~~hereunder~~under this Agreement, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Franchisee and, if an Entity, of its Owners, as independent businesspersons. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

21.12 **Copy of Agreement**. Franchisee acknowledges that it received a copy of this Agreement, the Exhibits attached to this Agreement and all other agreements relating ~~hereto~~to this Agreement, if any, with all of the blank lines filled in, at least five (5) business days prior to the Effective Date.

21.-13 **Opportunity to Consult**. Franchisee acknowledges that it has read and understood this Agreement, the Exhibits attached to this Agreement, and all other agreements relating ~~hereto~~to this Agreement, if any, 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.

21.14 **Franchise Disclosure Document**. Franchisee acknowledges that it has received a copy of the complete Stickhouse Franchise Disclosure Document which contains a copy of this Agreement, at least fourteen (14) calendar days prior to the Effective Date. Franchisee acknowledges and agrees 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 Stickhouse Shop, that Franchisee has been informed by Franchisor that there can be no guarantee of success in the franchised business and that Franchisee's business ability and aptitude is primary in determining Franchisee's success.

21.15 **Atypical Terms.** Franchisee acknowledges and agrees that Parent Company, Master Franchisor and Franchisor may modify the offer of licenses and franchises to other Stickhouse area developers and 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 in this Agreement. Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation that all Stickhouse Franchise Agreements previously issued or issued after this Agreement by Parent Company, Master Franchisor or Franchisor do or will contain terms substantially similar to those contained in this Agreement. Parent Company, Master Franchisor or Franchisor may, in their reasonable business judgment and their 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 date of this Agreement with other Stickhouse franchisees in a non-uniform manner.

21.16 **General Terms.** Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor. Franchisee has read this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Stickhouse Shops in order to protect and preserve the Stickhouse System and the goodwill of the Stickhouse Marks. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the Stickhouse System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Franchisee's business ability and efforts. The Parties acknowledge and agree that each Party has been represented by independent legal counsel of their choice in connection with this Agreement or has had the opportunity to have legal counsel review this Agreement and advise the Party regarding the same, but has voluntarily chosen not to do so. Franchisee has not received or relied upon any promise or guarantee, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement. No representations have been made by Franchisor or its Affiliates or their respective officers, directors, shareholders, employees or agents that are contrary to the terms contained in this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date

FRANCHISOR	**FRANCHISEE**
GELATORO FRANCHISING, LLC A California limited liability company	____________________ ____________________
By ____________________	By ____________________
Name ____________________	Name ____________________
Title ____________________	Title ____________________

GELATORO FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT A
FRANCHISE INFORMATION

GELATORO FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT A
FRANCHISE INFORMATION

1. **Type of Stick House Shop**. ____________________

2. **Franchised Location**. The following site has been selected and approved as the "**Franchised Location**" for the "**Stickhouse Shop**":

____
____

3. **Protected Area**. The following area has been designated by Franchisor and accepted by Franchisee as the "**Protected Area**" of the Stickhouse Shop in accordance with Section 2.2 of the Franchise Agreement.

[ ] A radius of_______ miles surrounding the Franchised Location.

[ ] The area outlined on the attached map and described as follows:

____
____
____

If the Protected Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Protected Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary

4. **Initial Franchise Fee**. [ ] $40,000 (Full Shop, Sales Shop, or Kiosk).
[ ] $25,000 (Stick Truck).
[ ] $7,500 (Stick Cart).
[ ] $2,500 (Corner).

IN WITNESS WHEREOF, the Parties have executed this **Exhibit A** on ____________

FRANCHISOR

GELATORO FRANCHISING, LLC
A California limited liability company

By ____________________

Name ____________________

Title ____________________

FRANCHISEE

____
____

By ____________________

Name ____________________

Title ____________________

GELATORO FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT B
ENTITY INFORMATION DISCLOSURE

GELATORO FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT B
ENTITY INFORMATION DISCLOSURE

Franchisee represents and warrants that the following information is accurate and complete in all material respects

(1) ~~(1)~~ Franchisee is a (check as applicable):

[ ] corporation-
[ ] limited liability company [ ] general partnership
[ ] limited partnership
[ ] Other (specify) ______________________________

State of incorporation/organization: ____________________
Name of Franchisee entity: ___________________________
Federal Tax Identification Number: ____________________

(2) Franchisee shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (the "**Entity Documents**").

(3) Franchisee promptly shall provide all additional information that Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Franchisee.

(4) The name and address of each Owner is:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(5) The names, addresses and titles of Franchisee Owner who will be devoting their full time to the Stickhouse Shop are:

NAME	ADDRESS	TITLE

(6) The address where Franchisee's financial records and Entity Documents are maintained is ____
____

(7) The Operating Principal is ____________________________________.

(8) Franchisee represents and warrants to Franchisor, as an inducement to Franchisor's execution of this Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Franchisee shall provide Franchisor with all additional information that Franchisor may request with respect to the Owners and the ownership of Franchisee. In addition, Franchisee shall notify Franchisor within ten (10) days of any change in the information set forth in the Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Franchisee to be true, correct and complete in all material respects. Franchisor grants Franchisee the rights in this Agreement in reliance upon each and all of the terms of the Entity Information Disclosure.

IN WITNESS WHEREOF, the Parties have executed this **Exhibit B** on the Effective Date

FRANCHISOR	**FRANCHISEE**
GELATORO FRANCHISING, LLC A California limited liability company	____________________ A ____________________
By ____________________	By ____________________
Name ____________________	Name ____________________
Title ____________________	Title ____________________

GELATORO FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT

GELATORO FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT

The undersigned ~~("~~(collectively, "**Guarantors**") have requested GELATORO FRANCHISING, LLC, a California limited liability company ("**Franchisor**"), to enter into ~~that certain~~a Franchise Agreement dated ____________________ (the "**Franchise Agreement**") with ______________________________ ("**Franchisee**"). In consideration for, and as an inducement to, Franchisor's execution of the Franchise Agreement, Guarantors hereby grant this guarantee (this "**Guarantee**") and agree as follows:

1. "**Obligations**" means and includes any and all obligations of Franchisee arising under or pursuant to the Franchise Agreement and all other obligations, whether now existing or hereafter arising, of Franchisee to Franchisor of whatever nature.

2. Guarantors irrevocably and unconditionally, fully guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Franchisee to Franchisor and the performance of any and all obligations of Franchisee including, without limitation, obligations under the Franchise Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.

3. If Franchisee fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary obligation of Guarantors. Guarantors agree that if any obligation, covenant or agreement contained in the Franchise Agreement is not observed, performed or discharged as required by the Franchise Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, to observe, perform or discharge the obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors.

4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Franchisee or any other person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Franchisee without limiting the generality of the foregoing, Guarantors agree that, regardless of whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Franchise Agreement or of any of the Obligations, in whole or in part, (ii) any acceptance, enforcement or release by Franchisor of any security for the Franchise Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Franchise Agreement or the Obligations or any security therefore, (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any assignment or transfer of the Franchise Agreement (or any of them) by Franchisor or Franchisee, (iv) the invalidity or unenforceability of any provision of the Franchise Agreement or any of the Obligations, or (v) any failure, omission or delay of Franchisor in enforcing the Franchise Agreement, the Obligations or this Guarantee.

5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Franchisee or any other person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in

Franchisor's power, (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby, (iii) any defense that may arise by reason of Franchisee's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Franchisee, any other or others, (iv) any defense arising out of any alteration of the Franchise Agreement or the Obligations, (v) notice of Franchisee's Default in the payment or performance of any of the Obligations, (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or obligations or of any action or non-action on the part of Franchisee, Franchisor, any endorser, creditor of Franchisee or Guarantors under this or any other instrument, or any other person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed, (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Franchisee by operation of Applicable Law or otherwise, (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Franchisee, regardless of whether Franchisor has reason to believe that those facts materially increase the risk beyond that which Guarantors intends to assume or has reason to believe that the facts are unknown to Guarantors or has a reasonable opportunity to communicate the facts to Guarantors, it being understood and agreed that Guarantor is responsible to be and to keep informed of Franchisee's financial condition and of all circumstances bearing on the risk of non-payment of any Obligations hereby guaranteed, and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Franchisee. All existing or future indebtedness of Franchisee to Guarantors and any right to withdraw capital invested in Franchisee by Guarantors are hereby subordinated to all Obligations.

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, Guarantors waive and agree not to assert or take advantage of: (i) all rights described in California Civil Code Sections 2856(a)(1) through 2856(a)(3), inclusive, including, without limitation, any rights or defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Section 2899.

8. The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Franchisee's obligations. This is a continuing Guarantee. It shall be irrevocable during the Initial Term and the Renewal Term and through any extensions, amendments, modifications, substitutions or replacements of the Franchise Agreement and until all Obligations have been fully paid and the Obligations have been fully performed. In the event of any Default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Franchisee or whether Franchisee is joined in any action or actions. Franchisor may maintain successive actions for other Defaults. Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The obligations of Guarantors shall be primary and are independent of the obligations of Franchisee and Franchisor may

directly enforce its rights under this Guarantee without proceeding against or joining Franchisee or any other person or Entity, or applying or enforcing any security of the Franchise Agreement.

9. Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter of this Guarantee and no representation, understanding, promise or condition concerning the subject matter of this Guarantee shall bind Franchisor unless expressed in this Guarantee.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Article 20 of the Franchise Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantor's signature below.

11. This Guarantee 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. -Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by the Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12. This Guarantee shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of California, and if the Stickhouse Shop is located outside of California and such provision would be enforceable under the laws of the state in which the Stickhouse Shop is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Los Angeles. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

Executed by or on behalf of Guarantors on the date set forth below

____ Date ____________________

____ Date ____________________

GELATORO FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT D
DEBIT AUTHORIZATION FORM

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)

The undersigned Franchisee/depositor ("**Depositor**") hereby (1) authorizes GELATORO FRANCHISING, LLC and its Affiliates ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below and (2) authorizes the depository designated below ("**Depository**") to debit such account pursuant to Franchisor's instructions.

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

This authority is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Franchisor and Depositor with thirty (30) ~~days~~days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or forty-five (45) days after posting, whichever comes first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error, and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws. Depositor shall be responsible for all charges assessed by Depository to process all debit entries and/or credit corrections entries to the undersigned's checking and/or savings account initiated by Franchisor. Franchisor will credit Depositor for fees if error is deemed to be caused by Franchisor.

______________________________ DEPOSITOR (Print Name)	______________________________ DEPOSITORY (Print Name)
By______________________________	By______________________________
Its ______________________________	Its ______________________________

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B
AREA DEVELOPMENT AGREEMENT

GELATORO FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT

GELATORO FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT

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EXHIBITS

GELATORO FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "**Agreement**") is made and entered into as of ______________ (the "**Effective Date**"), by and between **GELATORO FRANCHISING, LLC**, a California limited liability company ("**Franchisor**"), on the one hand, and ____________________, a __________________________________ -("**Area Developer**"), on the other hand, who are individually referred to in this Agreement as a "**Party**", and collectively referred to in this Agreement as "**Parties**", with reference to the following facts

A. Stick House Company srl, an Italian limited liability company ("**Parent Company**"), has developed the "**Stickhouse System**" for the establishment and operation of retail shops (the "**Stickhouse Shops**") that offer handmade ice cream on a stick, cold and hot beverages, sweets, chocolates, salad delicacies and ancillary related products for on-premises and off-premises consumption under the trade name and service mark "**Stickhouse**" and other related trademarks, service marks, logos and commercial symbols (the "**Stickhouse Marks**"). Parent Company has issued a license to Stick House USA LLC, a Delaware limited liability company ("**Master Franchisor**"), to use and sublicense the use of the Stickhouse System and the Stickhouse Marks for the sale of franchised Stickhouse Shops within the United States.

B. On May 1, 2015, Master Franchisor and Gelatoro, LLC, a California limited liability company ("**Operating Company**") entered into a Subfranchise Agreement under which Master Franchisor granted the Operating Company (i) the right and obligation to develop, own and operate Stickhouse Shops in the State of California; and (ii) the right and obligation to grant subfranchises to qualified third parties to develop, own and operate Stickhouse Shops in the State of California under individual Franchise Agreements and Area Development Agreements with the Operating Company (the "**Subfranchising Rights**"). –On February 15, 2016, the Operating Company assigned the Subfranchising Rights to the Franchisor, and the Master Franchisor consented to the assignment.

C. Franchisor desires to expand and develop Stickhouse Shops in the geographic area designated on **Exhibit B** (the "**Development Area**") and Area Developer desires to develop, own and operate Stickhouse Shops in the Development Area in accordance with the terms of this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS

The capitalized terms in this Agreement are assigned these definitions

"**Additional Development Rights**" means the rights that Franchisor may, but shall not be obligated to, grant Area Developer to develop additional Stickhouse Shops in the Development Area under an Additional Development Plan acceptable to Franchisor.

"**Affiliate**" or "**Affiliates**" mean any person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement Control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise.

"**Applicable Law**" means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of the Stickhouse Shops that are in effect on or after the Effective Date, as they may be amended from time to time.

"**Approved Suppliers**" means suppliers of Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products, and ancillary services, food products, beverages, supplies, furniture, fixtures and equipment for Stickhouse Shops that have been accepted and approved by Franchisor because they have demonstrated to Franchisor their ability to supply products and services for Stickhouse Shops meeting Franchisor's specifications as to brand names, models, contents, manner of preparation, ingredients, quality, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. Franchisor and its Affiliates may be Approved Suppliers.

"**Authorized Stickhouse Products**" means all Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products offered for sale or used at Stickhouse Shops, as specified by Franchisor from time to time.

"**Competitive Business**" means any ice cream or frozen dessert shop or other type of business that prepares, offers and sells ice cream or frozen dessert as its primary menu item and any business that looks like, copies, imitates, or operates with similar trade dress or ~~decor~~décor to the Stickhouse Shop.

"**Constituents**" means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

"**Crisis Management Event**" means any event that occurs at or about a Stickhouse Shop that has or may cause harm or injury to customers or employees, including, without limitation, food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings or any other circumstance which may damage the Stickhouse System, the Stickhouse Marks, or the image or reputation of Franchisor and its Affiliates.

"**Default**" means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"**Development Fee**" means the development fee payable to Franchisor by Area Developer on the Effective Date in the amount set forth on **Exhibit B**. The Development Fee is $20,000 for each Full Shop, Sales Shop, and Kiosk, $12,500 for each Stick Truck, $3,750 for each Stick Cart, and $1,250 for each Corner to be developed under this Agreement.

"**Development Fee Credit**" means that portion of the Development Fee that will be credited against the Initial Franchise Fee for each Stickhouse Shop upon the Parties' execution of a Franchise Agreement for each Stickhouse Shop in the amount set forth on **Exhibit B**. The maximum Development Fee Credit per Stickhouse Shop is $20,000 for each Full Shop, Sales Shop, and Kiosk, $12,500 for each Stick Truck, $3,750 for each Stick Cart, and $1,250 for each Corner.

"**Development Period**" means each of the time periods indicated on **Exhibit B** during which Area Developer shall have the right and obligation to construct, equip, open and thereafter continue to operate Stickhouse Shops in accordance with the Development Obligation.

"**Entity**" means any limited liability company, partnership, trust, association, corporation or other Entity, which is not an individual.

"**Equity**" means capital stock, membership interests, partnership rights or other Equity ownership interests of an Entity.

"**Expiration Date**" means the fifth (5^{th}) anniversary of the Effective Date.

"**Force Majeure**" means any event (i) that was reasonably unforeseeable as of the Effective Date, (ii) that is beyond the reasonable control, directly or indirectly, of a Party, (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence, (iv) that does not result from the fault or negligence of that Party or its agents, employees or contractors, and (v) that causes the Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, Force Majeure shall include (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance, (d) unilateral governmental action impacting ice cream or frozen dessert shops generally, and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy.

"**Franchise Agreement**" means the form of agreement prescribed by Franchisor and used to grant to Area Developer the right to own and operate a single Stickhouse Shop in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time.

"**General Release**" means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor, Master Franchisor and their Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

"**Good Standing**" means Area Developer is in substantial compliance with the material requirements of this Agreement, the Franchise Agreements, the Manuals and all other agreements then in effect between Franchisor or its Affiliates, and Area Developer, and has substantially cured each curable Default for which Franchisor has issued a notice of Default to Area Developer within the time periods set forth in Section 11.3.

"**Governmental Authority**" means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"**Gross Sales**" means the total of all revenues derived from sales of any nature or kind whatsoever from the Stickhouse Shops during the Term, whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from a Stickhouse Shop although filled elsewhere. "**Gross Sales**" shall include the full value of drinks and snacks Area Developer provides to its employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the drinks and snacks were provided) and all proceeds from the sale of coupons, gift certificates or vouchers. "**Gross Sales**" shall exclude the amount of bona fide refunds paid to customers and the amount of any sales or use taxes actually paid to any Governmental Authority and the retail price of any coupons, gift certificates and vouchers when they are redeemed.

"**Initial Franchise Fee**" means the initial fee that Area Developer must pay Franchisor for each Stickhouse Shop developed, Opened and operated by Area Developer in the Development Area in the amount set forth on **Exhibit B**

"**Landlord**" means the owner of a Franchised Location who enters into a Lease with Area Developer for a Franchised Location.

"**Lease**" means any agreement, however denominated, that allows Area Developer to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Area Developer and a Landlord.

"**Manuals**" means Franchisor's operations and training manuals, and any other written directive related to the Stickhouse System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

"**Minimum Development Obligation**" means the Area Developer's right and obligation to construct, equip, open and thereafter continue to operate at sites within the Development Area the cumulative number of Stickhouse Shops set forth in **Exhibit B** hereto within each Development Period.

"**Non-Proprietary Products**" means the food products, condiments, drink ingredients, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Stickhouse Branded Products and Stickhouse Products, that may or must be used, offered and sold at the Stickhouse Shops.

"**Non-Traditional Venues**" means a broad variety of atypical sites, including, without limitation, a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings including business complexes, airports and international chains (hotels, restaurants, coffees or similar) with more than 50 (fifty) sale points worldwide.

"**Open**", "**Open for Business**", "**Opened**" and "**Opened for Business**" means that Area Developer has actually begun to sell Authorized Stickhouse Products to the public from a Stickhouse Shop.

"**Opening Date**" means the day that (i) Area Developer receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at a Stickhouse Shop, and (ii) Area Developer actually begins to offer Authorized Stickhouse Products for sale to the public from the Stickhouse Shop, whichever occurs last.

"**Owner**" means each of the individuals listed on **Exhibit B** and each future direct or indirect shareholder, member, general or limited partner, trustee or other Equity owner of Franchisee. If Franchisee is an Entity, each Owner and each Owner's spouse shall jointly and severally guarantee Franchisee's payment and performance of its obligations under this Agreement under a Guarantee in the form of **Exhibit D**.

"**Principal Owner**" means the individual designated by Area Developer on **Exhibit A**, and accepted by Franchisor, to serve as the authorized representative of Area Developer, who shall act as Area Developer's representative in all matters with Franchisor, as Area Developer's liaison with Franchisor, who shall have the authority to act on behalf of Area Developer during the Term without the participation of any other Owner, and who shall own at least ten percent (10%) of the Equity of Area Developer

"**Renewal Rights**" means the rights held by Area Developer to renew this Agreement for the Renewal Term before the Expiration Date.

"**Renewal Term**" means the five (5) year period beginning on the Expiration Date and ending on the Renewal Term Expiration Date.

"**Renewal Term Expiration Date**" means the last day of the Renewal Term.

"**Stickhouse Branded Products**" means any product now existing or developed in the future that bears any of the Stickhouse Marks, including products that are prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, methods, standards and specifications, as well as novelty items such as cups, coolers, hats, t-shirts and the like.

"**Stickhouse Proprietary Products**" means only those food products, beverages, packaging and other products which are produced or manufactured strictly in accordance with Trade Secrets or that Franchisor otherwise designates as proprietary.

"**Stickhouse Shops**" means and includes each of the following Types of Stickhouse Shops: (i) a "**Full Shop**" is a dedicated retail outlet with a production room and on-site storage and sale areas on the premises or connected to the premises as specified in the Manuals; (ii) a "**Sales Shop**" is a dedicated retail outlet with a sales area without a production room as specified in the Manuals; (iii) a "**Kiosk**" is a single, sales-only site without a production room as specified in the Manuals; (iv) a "**Corner**" is a small sales-only site without a production room as specified in the Manuals within the existing commercial premises of another business; (v) a "**Stick Cart**" is a mobile, free standing sales-only unit as specified in the Manuals that may only be operated by Area Developer if Area Developer is currently operating a "**Full Shop,**" "**Factory,**" "**Sales Shop**", or "**Kiosk**"; (vi) a "**Stick Truck**" is a mobile, free standing sales-only truck as specified in the Manuals; and (vii) a "**Factory**" is a production facility, as specified in the Manuals.

"**Stickhouse System**" means the operating methods and business practices related to a Stickhouse Shop, and the relationship between Franchisor and its area developers and franchisees, including the various types of Stickhouse Shops, interior and exterior Stickhouse Shop design, other items of trade dress, specifications of equipment, fixtures, and uniforms, defined product offerings, recipes and preparation methods, specified pricing and promotions, standard operating and administrative procedures, restrictions on ownership, management and technical training programs, and marketing and public relations programs, all as Franchisor and/or Master Franchisor may modify the same from time to time.

"**Term**" means both the Initial Term and the Renewal Term of this Agreement.

"**Then-Current**" means the form of agreement then-currently provided by Franchisor to similarly situated prospective area developers and franchisees which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by an area developer or a franchisee, or, as the context of this Agreement indicates, the fees then-currently charged by Franchisor or its Affiliates for services they provide, or Franchisor's specifications, standards, or the like.

"**Trade Secrets**" means proprietary and Confidential Information, including recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating Stickhouse Shops and producing Authorized Stickhouse Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that can be shown that was already lawfully in a third party's possession before receipt from Franchisor.

"**Types of Stickhouse Shops**" means each of the following types of Stickhouse retail businesses: (i) a "**Full Shop**"; (ii) a "**Sales Shop**"; (iii) a "**Kiosk**"; (iv) a "**Corner**"; (v) a "**Stick Cart**"; (vi) a "**Stick Truck**"; and (vii) a "**Factory**", as designated by Franchisor. Franchisor and Area Developer acknowledge and agree that certain provisions of this Agreement may not be applicable to all Types of Stickhouse Shops to be developed under this Agreement and that Franchisor and Area Developer may enter into addenda and/or amendments to this Agreement to define the various rights and obligations of each of the Parties which may vary from the terms of this Agreement depending upon the Types of Stickhouse Shops Area Developer may be developing under this Agreement.

"**Venue**" means any site other than a Non-Traditional Venue.

2. **EXCLUSIVE LICENSE**

2.1 **Grant and Minimum Development Obligation.** Franchisor hereby grants Area Developer, and Area Developer hereby accepts the right and obligation to use the Stickhouse Marks and the Stickhouse System to develop, own and operate the Minimum Development Obligation of Stickhouse Shops set forth in **Exhibit B** only at Venues in the Development Area during the individual Development Periods listed on **Exhibit B** under the Development Schedule set forth on **Exhibit B** in accordance with the terms and conditions in this Agreement. Except as provided in Section 2.6, Area Developer may not develop, own or operate more Stickhouse Shops in the Development Area than the Minimum Development Obligation during the Initial Term. Area Developer shall not subcontract, sublicense, share, divide or partition this Agreement and nothing in this Agreement will be construed as granting Area Developer the right to do so.

2.2 **Exclusive License**. Except as otherwise provided in Section 2.3 the rights granted to Area Developer under this Agreement are exclusive during the Initial Term so long as Area Developer is in Good Standing and neither Franchisor nor any of its Affiliates shall themselves develop, own and operate, or grant third parties the right to develop, own and operate, Stickhouse Shops in the Development Area during the Initial Term.

2.3 **Reservation of Rights**. Except as provided in Section 2.2, Franchisor expressly reserves all other rights, including the exclusive, unrestricted right, in its discretion, directly and indirectly, through its employees, Affiliates, representatives, licensees, assigns, agents and others, and through Parent Company and/or Master Franchisor to (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Stickhouse Shops outside the Development Area, regardless of their proximity to the Development Area, (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including a beverage and snack or food business, other than a Competitive Business, under marks and systems different from the Stickhouse Marks and the Stickhouse System within and outside the Development Area, (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Stickhouse Branded Products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods, (iv) market on the Internet and use the Stickhouse Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media, and (v) own or operate and to franchise or license others to own or operate Stickhouse Shops at any Non-Traditional Venue within and outside of the Development Area regardless of their proximity to any Stickhouse Shops developed or under development by Area Developer.

2.4 **Adherence to Development Schedule**. Area Developer shall satisfy the Minimum Development Obligation by Opening the number and Types of Stickhouse Shops only at Venues in the Development Area within each Development Period as required by the Development Schedule and by continuing to operate the cumulative number of Stickhouse Shops required by the Minimum Development Obligation. Failure to comply with a scheduled Opening Date set forth in the Development Schedule for the Types of Stickhouse Shop set forth on **Exhibit B** shall constitute a Default under this Agreement and shall entitle Franchisor to terminate this Agreement, unless the Default results from an event of Force Majeure, in which case, the Opening Date may be extended by Franchisor as provided in Section 2.7.

2.5 **Closures and Assignments of Stickhouse Shops**. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, if, during the Term, Area Developer ceases to operate any Stickhouse Shop developed and Opened under this Agreement for any reason, Area Developer must develop a replacement Stickhouse Shop to fulfill Area Developer's obligation to have Open and in operation the required number of Stickhouse Shops at the expiration of each Development Period. The replacement Stickhouse Shops must be Opened within twelve (12) months after the closing of the Stickhouse Shop that will be replaced. Stickhouse Shops that are Open and operating that are assigned to Affiliates of Area Developer with Franchisor's consent, shall count in determining whether Area Developer has satisfied the Minimum Development Obligation for so long as the applicable Affiliate continues to comply with the terms of this Agreement.

2.6 **Additional Development Rights**. If Area Developer satisfies the Minimum Development Obligation before the Expiration Date and desires to develop, own and operate additional Stickhouse Shops in the Development Area, Area Developer shall notify Franchisor in writing (the "**Additional Development Notice**") that Area Developer desires to do so and provide Franchisor with a proposal for the development of additional Stickhouse Shops in the Development Area (the "**Additional Development Obligation**"), setting forth the number of additional Stickhouse Shops proposed to be Opened by Area Developer, the proposed development fees and initial franchise fees payable to Franchisor for each Stickhouse Shop proposed to be developed and the proposed Opening Dates for each Stickhouse Shop during the remainder of the Initial Term. Franchisor may, but shall have no obligation to, grant Area Developer the Additional Development Rights described in this Section 2.6 in its sole and absolute discretion.

2.6.1 If Franchisor elects to grant the Additional Development Rights to Area Developer and if the Additional Development Obligation proposed by Area Developer is unacceptable to Franchisor in any respect, Franchisor and Area Developer shall negotiate during the following thirty (30) day period to agree upon an acceptable Additional Development Obligation. If the Additional Development Obligation proposed by Area Developer is acceptable to Franchisor, or if Franchisor and Area Developer reach agreement on an alternative Additional Development Obligation within the thirty (30) day period after the date of the Additional Development Notice, Franchisor shall deliver to Area Developer its Then-Current form of Area Development Agreement (the "**Additional Area Development Agreement**") setting forth the agreed upon Additional Development Obligation within thirty (30) days after Area Developer's receipt of the Additional Area Development Agreement, Area Developer shall execute the Additional Area Development Agreement, and return it to Franchisor. If Area Developer has so executed and returned the Additional Area Development Agreement, and has satisfied the conditions precedent set forth in Section 2.6.2, Franchisor shall execute the Additional Area Development Agreement, and return a fully executed copy to Area Developer.

2.6.2 Franchisor shall execute the Additional Area Development Agreement, if, and only if, (i) Franchisor elects to grant the Additional Development Rights to Area Developer, (ii) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer and is in Good Standing on the date of the Additional Development Notice and on the date of Franchisor's execution of the Additional Area Development Agreement, (iii) Area Developer has demonstrated Area Developer's Then-Current financial ability to timely implement and complete the Additional Development Obligation, (iv) Area Developer continues to operate no less than the aggregate number of Stickhouse Shops in the Development Area as required by the Minimum Development Obligation, (v) Area Developer has executed the Additional Area Development Agreement and delivered it to Franchisor together with the development fees and initial franchise fees payable to Franchisor for the Additional Development Rights, and (vi) Area Developer executes and delivers to Franchisor a General Release in a form acceptable to Franchisor.

2.7 **Force Majeure**. Neither Party will be in Default in the performance of its obligations under this Agreement if such performance is prevented or delayed due to Force Majeure. If Area Developer is unable to meet the Minimum Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Franchisor to deliver a Disclosure Document pursuant to Section 5.3, which results in the inability of Area Developer to construct and Open the Stickhouse Shops as required by this Agreement, Area Developer shall provide Franchisor, within ten (10) days after the occurrence of an event that Area Developer believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Area Developer's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. If Franchisor determines that the Default is the result of an event of Force Majeure, the required date for performance by Area Developer shall be extended by the number of days equal to the number of days that the Force Majeure exists. Area Developer shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Area Developer's progress and diligence in responding to and overcoming the event of Force Majeure.

2.8 **No Rights to Use the Stickhouse Marks or Stickhouse System**. This Agreement is not a Stickhouse Franchise Agreement, and does not grant Area Developer any right to use the Stickhouse Marks or the Stickhouse System or to sell or distribute any Stickhouse Authorized Products. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets and the goodwill associated with the same, Area Developer's rights to use the Stickhouse Marks and the Stickhouse System will be granted to Area Developer solely under the terms of a Stickhouse Franchise Agreement.

3. INITIAL TERM AND RENEWAL TERM

3.1 **Initial Term**. The Initial Term shall commence on the Effective Date and shall expire on the Expiration Date.

3 2 **Renewal Rights**. If Area Developer desires to engage in further development of Stickhouse Shops in the Development Area following the Expiration Date, Area Developer shall, no earlier than twelve (12) months and no later than nine (9) months prior to the Expiration Date, notify Franchisor in writing (the "**Renewal Notice**") that Area Developer desires to extend the Initial Term and provide Franchisor with a plan for the development of additional Stickhouse Shops in the Development Area (the "**Renewal Development Obligation**"), setting forth the number of additional Stickhouse Shops proposed to be Opened by Area Developer during the Renewal Term, the proposed fees payable to Franchisor for each Stickhouse Shop proposed to be opened during the Renewal Term and the proposed Opening Dates for each Stickhouse Shop during the Renewal Term. The Renewal Rights may be renewed by Area Developer only if all conditions precedent set forth in this Article 3 are satisfied prior to the Expiration Date. If Area Developer does not elect to renew the Initial Term in accordance with this Section 3.2, this Agreement shall terminate on the Expiration Date. If Area Developer exercises its Renewal Rights under this Agreement shall terminate on the Renewal Term Expiration Date Except as provided in this Section 3.2, this Agreement is not otherwise renewable.

3.3 **Renewal Development Obligation**. If the Renewal Development Obligation proposed by the Renewal Development Notice is unacceptable to Franchisor in any respect, Franchisor and Area Developer shall negotiate during the following sixty (60) day period to agree upon an acceptable Renewal Development Obligation. If the Renewal Development Obligation proposed by Area Developer is acceptable to Franchisor, or if Franchisor and Area Developer reach agreement on an alternative Renewal Development Obligation within the sixty (60) day period after the date of the Renewal Notice, Franchisor shall deliver to Area Developer its Then-Current form of Area Development Agreement (the "**Renewal Area Development Agreement**") extending the Initial Term for the Renewal Term and setting forth the agreed upon Renewal Development Obligation. Within thirty (30) days after Area Developer's receipt of the Renewal Area Development Agreement, Area Developer shall execute the Renewal Area Development Agreement and return it to Franchisor. If Area Developer has so executed and returned the Renewal Area Development Agreement and has satisfied the conditions precedent set forth in this Article 3, Franchisor shall execute the Renewal Area Development Agreement and return a fully executed copy to Area Developer.

3.4 **Conditions to Renewal**. Franchisor shall execute the Renewal Area Development Agreement if, and only if (i) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer and is in Good Standing on the date of the Renewal Notice, on the date of Franchisor's execution of the Renewal Area Development Agreement and on the

Expiration Date, and (ii) Area Developer has demonstrated Area Developer's Then-Current financial ability to implement and complete the Renewal Development Obligation, (iii) Area Developer has Opened and continues to operate no less than the aggregate number of Stickhouse Shops required by the Minimum Development Obligation in compliance with the Development Schedule, (iv) Area Developer has executed the Renewal Area Development Agreement and delivered it to Franchisor, (v) Area Developer executes and deliver a General Release to Franchisor in a form acceptable to Franchisor, and (vi) Area Developer has paid Franchisor a renewal fee of $1,000 when Area Developer issues the Renewal Notice to Franchisor.

3.5 **Effect of Expiration**. If the conditions set forth in this Article 3 are not satisfied before the Expiration Date, (i) Area Developer shall have no further right to develop additional Stickhouse Shops in the Development Area and no further rights or obligations under this Agreement, (ii) Area Developer shall have the right to continue to own and operate all Stickhouse Shops Opened by Area Developer prior to the Expiration Date under Franchise Agreements with Franchisor that remain in full force and effect on the Expiration Date, and (iii) Franchisor, may, but shall not be required to, develop, own and operate, and grant franchises to third parties to develop, own and operate Stickhouse Shops at any location within or outside of the Development Area, without restriction.

3.6 **Term and Expiration Date**. If the Parties execute a Renewal Area Development Agreement, (i) "**Term**" means both the Initial Term and the Renewal Term, and (ii) "Expiration Date" means both the Expiration Date of the Initial Term and the expiration date of the Renewal Term.

4. PAYMENTS BY AREA DEVELOPER

4.1 **Development Fee**. On the Effective Date, Area Developer shall pay the total Development Fee to Franchisor for the rights granted to Area Developer under this Agreement by a wire transfer of immediately available funds to a bank account designated by Franchisor. The Development Fee is fully earned by Franchisor when paid and is nonrefundable, in whole or in part, under any circumstances.

4.2 **Initial Franchise Fee**. Area Developer shall pay Franchisor an Initial Franchise Fee for each Stickhouse Shop to be operated under this Agreement. Area Developer shall pay Franchisor the Initial Franchise Fee for the first Stickhouse Shop to be operated under this Agreement on the Effective Date by a wire transfer of immediately available funds to a bank account designated by Franchisor. The Initial Franchise Fee for each additional Stickhouse Shop shall be payable upon execution by Area Developer of each Franchise Agreement entered into under this Agreement, less the Development Fee Credit for each Stickhouse Shop. The Initial Franchise Fee is fully earned by Franchisor when paid and is non-refundable, in whole or in part, under any circumstances.

4.3 **Royalty Fee**. Each Franchise Agreement executed by the Parties for each Stickhouse Shop developed by Area Developer under this Agreement shall provide for the payment of a Royalty Fee by Area Developer to Franchisor equal to eight percent (8%) of the Gross Sales of each Stickhouse Shop.

5. SITE REVIEW AND APPROVAL AND EXECUTION OF DOCUMENTS BY THE PARTIES

5.1 **Site Review**. Area Developer shall, at all times during the Term, exert Area Developer's best efforts to diligently identify proposed sites for the Stickhouse Shops. When Area Developer identifies a proposed site for a Stickhouse Shop, Area Developer shall submit to Franchisor all demographic and other information regarding the proposed site and neighboring areas that Franchisor shall require, in the form prescribed by Franchisor, and shall request Franchisor to consider and approve the site ("**Site Review Request**"). Franchisor shall approve, reject or request additional information regarding a proposed site within forty-five (45) days following Franchisor's receipt of a Site Review Request, or within fifteen (15) days after receipt of the additional requested information, whichever is later. If Franchisor accepts a proposed site (a "**Franchised Location**"), Franchisor shall notify Area Developer of its preliminary acceptance of the

Franchised Location (the "**Preliminary Acceptance**"), which shall be subject to the successful negotiation by Area Developer of a Final Lease or purchase agreement for the Franchised Location. Franchisor may voluntarily (without obligation) assist Area Developer in locating an acceptable Franchised Location for a Stickhouse Shop, however, neither Franchisor's assistance, if any, nor Franchisor's acceptance of any proposed Franchised Location, whether initially proposed by Area Developer or by Franchisor, shall be construed to ensure or guarantee the profitable or successful operation of a Stickhouse Shop at that Franchised Location by Area Developer Area Developer acknowledges and agrees that it is Area Developer's sole responsibility to identify and obtain each Franchised Location for the Stickhouse Shops to be developed under this Agreement.

5.2 **Final Acceptance and Negotiation and Execution of Lease**. Promptly following Area Developer's receipt of Preliminary Acceptance by Franchisor, Area Developer shall negotiate a Lease or purchase agreement for the proposed Franchised Location and shall submit a copy of the proposed Lease to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.6 ~~of this Agreement~~ have been included in the proposed Lease and/or that the Landlord and Area Developer have executed an Option to Obtain Lease Assignment in the form specified by Franchisor. Following Franchisor's review and approval of a proposed final Lease or purchase agreement, as applicable, and Area Developer's satisfaction of all conditions set forth in the Preliminary Acceptance and in Section 5.4, Franchisor shall notify Area Developer of Franchisor's final acceptance of the proposed Franchised Location (the "**Final Acceptance**"). Area Developer acknowledges and agrees that Franchisor's review and acceptance of a Lease or purchase agreement shall not be construed as an endorsement of the Lease or purchase agreement, or, confirmation that the Lease or purchase agreement complies with Applicable Law, or confirmation that the terms of the Lease or purchase agreement are favorable to Area Developer. Area Developer acknowledges and agrees that it is Area Developer's sole responsibility to review and approve each Lease or purchase agreement for each Stickhouse Shop to be developed under this Agreement.

5.3 **Franchise Disclosure Document**. Subject to Section 5.4 and after the Preliminary Acceptance of each proposed Franchised Location, Franchisor shall deliver to Area Developer a copy of Franchisor's Then-Current Franchise Disclosure Document as required by Applicable Law (the "**Disclosure Document**") and a copy of the Then-Current Franchise Agreement for the Stickhouse Shop to be located at the Franchised Location. If Franchisor is not legally able to deliver a Disclosure Document to Area Developer by reason of any lapse or expiration of its Franchise registration, or because Franchisor is in the process of amending its registration, or for any reason beyond Franchisor's reasonable control, Franchisor may delay Preliminary Acceptance or Final Acceptance of a proposed Franchised Location or the delivery of a Franchise Agreement for the Stickhouse Shop to be located at a proposed Franchised Location until Franchisor is able to deliver a Disclosure Document to Area Developer in compliance with Applicable Law. No sooner than immediately after the expiration of any applicable waiting period prescribed by Applicable Law, but no later than thirty (30) days after Area Developer's receipt of the Franchise Agreement, Area Developer shall execute the Franchise Agreement and return it to Franchisor together with the applicable Initial Franchise Fee. If Area Developer has executed and returned the signed Franchise Agreement and the Initial Franchise Fee and has satisfied the conditions set forth in Section 5.4 and Franchisor has issued a Final Acceptance, Franchisor shall execute the Franchise Agreement and return one fully executed copy of the Franchise Agreement to Area Developer.

5.4 **Conditions to Franchisor's Obligations**. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, Area Developer acknowledges and agrees that, as a condition precedent to Franchisor's performance of Franchisor's obligations under Sections 5.1, 5.2 and 5.3, and to Area Developer's right to develop each and every Stickhouse Shop, all of the following conditions precedent must be satisfied and Franchisor shall execute a Franchise Agreement for each Stickhouse Shop. If, and only if (i) Area Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Area Developer and is in Good Standing on the date of Area Developer's delivery of a Site Review Request to Franchisor, the date of the issuance of a Preliminary Acceptance, the date of the issuance of a Final Acceptance, and on the date of Franchisor's execution of a Franchise Agreement, (ii) Area Developer demonstrates Area Developer's Then-Current financial ability to implement and complete the construction and Opening of the Stickhouse Shop, (iii) Area Developer has Opened and continues to operate no less than the aggregate number of Stickhouse Shops required by the Minimum Development Obligation in compliance with the Development Schedule, (iv) Area Developer has executed the Franchise Agreement and delivered it to Franchisor, (v) Area Developer executes and delivers a General Release to Franchisor in a form acceptable to Franchisor, and (vi) Area Developer has paid Franchisor the Initial Franchise Fee when Area Developer executed the Franchise Agreement and returned it to Franchisor.

5.5 **Stick Cart and Stick Truck**. Section 5.1 and Section 5.2 shall not apply to Stick Carts and Stick Trucks. If any of the Stickhouse Shops to be operated by Franchisee under this Agreement will be Stick Carts or Stick Trucks, the Parties shall execute an Addendum to this Agreement on the Effective Date that will set forth the applicable details for the development and operation of the Stickhouse Shops that will differ from the terms set forth in this Agreement that are applicable to a Full Shop, a Sales Shop, a Kiosk and a Corner.

5.6 **Terms of Leases**. Each Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of a Lease that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent; (ii) Franchisor shall have the right (but not the obligation) to succeed to Area Developer's rights under the Lease if Area Developer fails to exercise any option to renew, and or extend the term of the Lease; (iii) upon Area Developer's Default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease; (iv) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Area Developer and the Landlord; (v) Area Developer shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any franchisee or licensee approved by Franchisor; and (vi) Franchisor shall have the right to enter the Franchised Location to remove all of the Stickhouse Marks from the Franchised Location and modify the ~~decor~~décor of the Franchised Location so that it no longer resembles, in whole or in part, a Franchised Restaurant if Area Developer fails to do so. In lieu of including these provisions in the Lease, Franchisor, Area Developer and the Landlord shall execute an Option to Obtain Lease Assignment in the form specified by Franchisor at the time the Lease is executed by Area Developer and the Landlord. If Franchisor elects to succeed to Area Developer's rights under the Lease, Area Developer shall assign to Franchisor all of its right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary or advisable to effect the assignment within ten (10) days after written demand by Franchisor to do so.

6. OBLIGATIONS OF AREA DEVELOPER

To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same~~:~~, Franchisor has established the following provisions:

6.1 **Development and Operation of Stickhouse Shops**. Area Developer shall, at all times during the Term, exert Area Developer's best efforts to faithfully, honestly and diligently develop, own and operate the number of Stickhouse Shops in the Development Area in order to satisfy the Minimum Development Obligation and the Development Schedule in accordance with the requirements of this Agreement and each Franchise Agreement for each Stickhouse Shop

6.2 **Name of Stickhouse Shops, Product Lines and Approved Suppliers**. All Stickhouse Shops developed, Opened and operated under this Agreement by Area Developer shall operate under the name "**Stickhouse**" and shall advertise, sell and serve all and only Authorized Stickhouse Products under the names designated by Franchisor which shall be prepared and served strictly in accordance with Franchisor's methods, standards, and specifications. All Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products designated by Franchisor for use and sale at Stickhouse Shops must be purchased from Approved Suppliers. Franchisor and its Affiliates may be, but are not obligated to become, Approved Suppliers of certain Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products and may act as the sole Approved Suppliers of certain Stickhouse Branded Products, Stickhouse Proprietary Products and Non-Proprietary Products

6.3 **Stickhouse System**. Area Developer shall operate the Stickhouse Shops in compliance with the terms of the Franchise Agreements and the Manuals. Area Developer acknowledges and agrees that Area Developer alone shall exercise day-to-day control over all operations, activities and elements of the Stickhouse Shops, including over Area Developer's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Area Developer further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Stickhouse System that Area Developer must comply with under the Franchise -Agreements, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Stickhouse Shops, which Area Developer alone controls, but only constitute standards to which Area Developer must adhere when exercising Area Developer's control over the day-to-day operations of the Stickhouse Shops consistent with the policies of Franchisor. Area Developer shall comply with each Franchise Agreement and shall operate the Stickhouse Shops in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise. Since every detail of the Stickhouse System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Stickhouse Shops under the Stickhouse System and to protect the Stickhouse Marks and Franchisor's reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, the Stickhouse System suggested by Area Developer that is reasonably likely to have an adverse material effect on the Stickhouse System, the Stickhouse Marks or Franchisor's reputation or goodwill.

6.4 **Modifications to Stickhouse System and Manuals**. The Stickhouse System, the Manuals that govern the operation of Stickhouse Shops and the products and services offered by the Stickhouse Shops may be modified by Franchisor at any time, and from time to time Area Developer shall comply, at Area Developer's expense, with all modifications and shall implement changes to the Stickhouse System within the time periods specified by Franchisor following Area Developer's receipt of notice from Franchisor to do so.

6.5 **Insurance**. Area Developer shall obtain and maintain throughout the Term of this Agreement the types and amounts of insurance required by Franchisor and shall provide Franchisor with proof of coverage and Certificates of Insurance upon demand. ~~Workers Compensation Insurance~~Workers' compensation insurance must be in compliance with all Federal, state, and local laws and regulations.

6.6 **Computer Hardware and Software Area**. Developer shall purchase, lease or license all computer hardware and software designated by Franchisor for the Stickhouse Shops All computer hardware and software shall be purchased, leased or licensed by Area Developer at Area Developer's expense. During the Term, Area Developer shall maintain and update all computer hardware and software.

6.7 **Payment of Taxes Area**. Developer shall pay all personal property, sales, excise, use, and other taxes, regardless of type or nature, which may be imposed, levied, assessed or charged, on, against, or in connection with the Stickhouse Shops by any Governmental Authority in the Development Area.

6.8 **Compliance with Governmental Relations**. Area Developer shall, as an independent business owner, timely obtain and maintain all permits, certificates, and licenses necessary for the lawful operation of the Stickhouse Shops.

6.9 **Internet**. Area Developer shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, web site, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Stickhouse Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's prior written consent, and then only in the manner and in accordance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Area Developer shall not separately register any domain name or any portion of any domain name containing the Stickhouse Marks or participate or market on any web site or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using the Stickhouse Marks without Franchisor's prior written consent. Area Developer's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time Franchisor may, at any time after Area Developer commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Area Developer.

6.10 **Notifications and Crisis Management Events**. Area Developer shall notify Franchisor in writing within (i) twenty-four (24) hours, and confirm in writing within two (2) days thereafter, of any investigation or violation, actual or alleged, of any health, liquor or narcotics laws or regulation related to any Stickhouse Shop in the Development Area, and (ii) five (5) days of the commencement of any investigation, action, suit, or proceeding or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other Governmental Authority which may adversely affect the operation or financial condition of any Stickhouse Shop in the Development Area. Area Developer shall immediately inform Franchisor's Chief Executive Officer (or as otherwise instructed in the Manuals) by telephone of the occurrence of a Crisis Management Event Area Developer shall cooperate fully with Franchisor with respect to Franchisor's response to a Crisis Management Event.

7. STICKHOUSE MARKS

Franchisor and its Affiliates continue to develop, use and control the use of the Stickhouse Marks in order to identify for the public the source of services and products marketed under the Stickhouse Marks and the Stickhouse System, and to represent the Stickhouse System's high standards of quality, appearance and service. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, Franchisor has established the following provisions:

7.1 **Ownership and Goodwill of Stickhouse Marks**. Area Developer acknowledges that its right to use the Stickhouse Marks is derived solely from this Agreement and is limited to use in operating as Area Developer pursuant to and in compliance with this Agreement and as a Stickhouse Franchisee pursuant to the Stickhouse Franchise Agreements between Area Developer and Franchisor. Any unauthorized use of the Stickhouse Marks by Area Developer shall constitute a breach of this Agreement and an infringement of the respective rights of Parent Company, Master Franchisor and Franchisor in and to the Stickhouse Marks. Area Developer acknowledges and agrees that (i) Parent Company owns the Stickhouse Marks and the Stickhouse System, (ii) Parent Company has issued a license to Master Franchisor to use and sublicense the Stickhouse Marks for the sale and administration of Stickhouse Shops within the United States, (iii) Master Franchisor has issued a license to Franchisor to use and sublicense the Stickhouse Marks for the sale and administration of Stickhouse Shops within the State of California (iv) Area Developer owns no goodwill or rights in the Stickhouse Marks or the Stickhouse System except for the license granted by this Agreement, and (v) Area Developer's use of the Stickhouse Marks and any goodwill established by that use shall inure to the exclusive benefit of Parent Company. Area Developer agrees not to contest, or assist any other person to contest, the validity of the respective rights and interests of Parent Company, Master Franchisor and Franchisor in the Stickhouse Marks or the Stickhouse System either during the Term or after this Agreement terminates or expires.

7.2 **Limitations on Use**. Area Developer shall not use any Stickhouse Mark (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Area Developer under this Agreement), (ii) in connection with unauthorized services or products, (iii) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, or (iv) in any other manner not expressly authorized in writing by Franchisor. Area Developer shall give all notices of trademark and service mark registration as Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under applicable law. Area Developer further agrees that no service mark other than "**Stickhouse**" or other Stickhouse Marks specified by Franchisor shall be used in marketing, promoting, or operating the Stickhouse Shops.

7.3 **Modifications**. Parent Company, Master Franchisor and Franchisor reserve the right to (i) modify or discontinue licensing any of the Stickhouse Marks, (ii) add new names, marks, designs, logos or commercial symbols to the Stickhouse Marks and require that Area Developer use them, and (iii) require that Area Developer introduce or observe new practices as part of the Stickhouse System in operating the Stickhouse Shops. Area Developer acknowledges and agrees that the term "**Stickhouse Marks**" means the specific names, marks, designs, logos or commercial symbols licensed by Parent Company, Master Franchisor and Franchisor at any given point in time, subject to the right of Parent Company, Master Franchisor and Franchisor to impose changes. Area Developer shall comply, at Area Developer's sole expense, with the directions of Parent Company, Master Franchisor and Franchisor regarding changes in the Stickhouse Marks and Stickhouse System within a reasonable time after written notice from Franchisor. Parent Company, Master Franchisor and Franchisor shall have no liability to Area Developer for any cost, expense, loss or damage that Area Developer incurs in complying with these directions and conforming to required changes.

7.4 **Defense of Stickhouse Marks and Stickhouse System**. Parent Company, Master Franchisor and Franchisor shall have the sole right to handle disputes with third parties concerning the ownership of, rights in, or Area Developer's use of, the Stickhouse Marks or the Stickhouse System. Area Developer shall immediately notify Franchisor in writing if Area Developer receives notice, or is informed, of any (i) improper use of any of the Stickhouse Marks or elements of the Stickhouse System, including misuse by other area developers, (ii) use by any third party of any mark, design, logo or commercial symbol which, in Area Developer's judgment, may be confusingly similar to any of the Stickhouse Marks, (iii) use by any third party of any business practice which, in Area Developer's judgment, unfairly simulates the Stickhouse System in a manner likely to confuse or deceive the public, or (iv) claim, challenge, suit or demand asserted against Area Developer based upon Area Developer's use of the Stickhouse Marks or the Stickhouse System. Parent Company, Master Franchisor and Franchisor shall have sole discretion to take all action as they deem appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Stickhouse Marks or the Stickhouse System. Area Developer shall not settle or compromise any claim, suit or demand asserted against it and agrees to be bound by the decisions of Parent Company, Master Franchisor and Franchisor in handling disputes regarding the Stickhouse Marks and the Stickhouse System. Area Developer shall cooperate fully with Parent Company, Master Franchisor and Franchisor and execute all documents and perform all actions as may, in their judgment, be necessary, appropriate or advisable in the defense of all claims, suits or demands and to protect and maintain the respective rights of Parent Company, Master Franchisor and Franchisor to the Stickhouse Marks and the Stickhouse System. Unless it is established that a third party claim asserted against Area Developer is based directly upon Area Developer's misuse of the Stickhouse Marks or the Stickhouse System, Parent Company, Master Franchisor and Franchisor shall defend Area Developer against the third party claim and indemnify Area Developer for any losses resulting therefore, provided Area Developer has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Parent Company, Master Franchisor and Franchisor will defend the third party claim, Area Developer is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Area Developer has no right, independent of Parent Company, Master Franchisor and Franchisor to make any demand against any such user or challenger or to prosecute any claim of any kind or nature whatsoever relating to the Stickhouse Marks.

8. CONFIDENTIAL INFORMATION

8.1 **Confidential Information**. Area Developer acknowledges and agrees that the Stickhouse System is comprised of confidential information that has been developed by Parent Company, Master Franchisor and Franchisor and their Affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Parent Company, Master Franchisor and Franchisor and their Affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to business operations, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Parent Company, Master Franchisor and Franchisor and other companies, persons or Entities, knowledge or know-how concerning the methods of operation of the Stickhouse Shop which may be communicated to Area Developer, or of which Area Developer may be apprised under the terms of this Agreement, and any other information or material considered proprietary by Parent Company, Master Franchisor and Franchisor whether or not designated as confidential information by Parent Company, Master Franchisor and Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Parent Company, Master Franchisor and Franchisor or their Affiliates and which is the subject of efforts by Parent Company, Master Franchisor and/or Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Area Developer prior to its Disclosure by Franchisor, is or becomes generally available to the public by acts other than those of Area Developer after receiving it, has been received lawfully and in good faith by Area Developer from a third party who did not derive it from Parent Company, Master Franchisor or Franchisor or Area Developer, or is shown by acceptable evidence to have been independently developed by Area Developer.

8.2 **Value**. Area Developer acknowledges and agrees the Confidential Information is not generally known by the public or parties other than Parent Company, Master Franchisor and Franchisor and their Affiliates, their licensees and franchisees franchisees and Area Developer, derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Parent Company, Master Franchisor and/or Franchisor, their licensees or franchisees or Area Developer, and is the subject of efforts by Parent Company, Master Franchisor and Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties, (ii) requiring Stickhouse licensees and franchisees to acknowledge and agree in writing that the Confidential Information is confidential, (iii) requiring Stickhouse licensees and franchisees to agree in writing to maintain the confidentiality of the Confidential Information, (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties, and (v) requiring its Stickhouse licensees and franchisees to return all Confidential Information to Parent Company, Master Franchisor and Franchisor upon the expiration or termination of their license agreements and/or franchise agreements.

8.3 **Maintain Confidentiality**. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, Area Developer shall not, during the Term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Parent Company, Master Franchisor and Franchisor consider trade secrets and/or Confidential Information. Area Developer shall divulge such Confidential Information only to its supervisorial or managerial employees who must have access to it in order to perform their employment responsibilities.

8.4 **Irreparable Injury from Disclosure of Confidential Information**. Area Developer acknowledges that failure to comply with the requirements of this Article 8 will result in irreparable injury to Parent Company, Master Franchisor and Franchisor for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Parent Company, Master Franchisor and/or Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Article 8.

8.5 **Confidentiality Covenants from Individuals Associated with Area Developer**. -Area Developer shall require any supervisorial and managerial employee who may have access to any Confidential Information of Parent Company, Master Franchisor and/or Franchisor to execute covenants that they will maintain the confidentiality of the Confidential Information they receive in connection with their association with Area Developer. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Parent Company, Master Franchisor and Franchisor as third-party beneficiaries of such covenants with the independent right to enforce them.

9. TRANSFER OF INTEREST

9.1 Transfer by Franchisor.

9.1.1 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 or approval of Area Developer. 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. Parent Company, Master Franchisor and Franchisor and their Affiliates may sell their assets, the Stickhouse Marks, or the Stickhouse System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring (collectively, a "**Capital Event**"), all without the consent or approval of Area Developer.

9.1.2 Upon the occurrence of a Capital Event, Parent Company, Master Franchisor and/or Franchisor shall have the right (the "**Take-Along Right**") to compel Area Developer to sell and, in such event, Area Developer shall sell the assets of any or all of the Stickhouse Shops, regardless of whether such Stickhouse are under construction or are Open and operating (collectively the "**Take-Along Assets**") at the same value attributable to Stickhouse Shops owned and operated by Franchisor or its Affiliates at the closing of a Capital Event. Parent Company, Master Franchisor and/or Franchisor shall exercise this Take-Along Right to compel the sale of the Take-Along Assets by Area Developer by providing Area Developer with written notice (the "**Take-Along Notice**") setting forth the time and place of the closing of the Capital Event, which time and place shall not be less than thirty (30) days after the date of the Take-Along Notice, and the expected price and form of consideration to be paid for the Take-Along Assets at the closing.

9.2 **Assignment by Area Developer**. -Area Developer acknowledges and agrees that the rights granted to Area Developer under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Area Developer and, if Area Developer is an Entity, that of the Owners. Accordingly, to protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, Area Developer shall not offer, sell, or negotiate the sale of its rights under this Agreement to any third party, either in Area Developer's own name or in the name and/or on behalf of Franchisor, except as otherwise provided in this Agreement. Area Developer acknowledges and agrees that Area Developer has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement, or (ii) the right to use the Stickhouse System or the Stickhouse Marks granted pursuant to this Agreement (an "**Assignment**") without Franchisor's prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor's judgment, Area Developer satisfies the conditions to the Assignment identified in this Agreement.

9.2.1 Unless the Parties otherwise agree in writing, Area Developer shall not make any Assignment of this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all Stickhouse Shops then owned and operated by Area Developer in the Development Area. As a condition to Franchisor's consent to such an Assignment, the assignee must execute Franchisor's Then-Current form of Franchise Agreement for each Stickhouse Shop sold to the assignee. Further, without Franchisor's prior written consent, which may be withheld by Franchisor in its discretion. (i) Area Developer shall not offer for sale or transfer at public or private auction any of the rights of Area Developer under this Agreement, and (ii) Area Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Area Developer shall provide Franchisor with not less than ten (10) ~~days~~days' prior written notice of any pledge, encumbrance, hypothecation or security interest in this Agreement.

9.2.2 For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to transfer identified in this Agreement (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Area Developer pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Area Developer, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Area Developer, (iv) the issuance of any securities by Area Developer which itself or in combination with any other transactions results in the Owners, as constituted on the Execution Date, owning less than forty percent (40%) of the outstanding Equity or voting power of Area Developer, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Area Developer, however effected. Area Developer shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Area Developer Owner of any direct or indirect Equity or voting rights in Area Developer, notwithstanding that the same may not constitute an "**Assignment**" as defined under this Article 9.

9.2.3 Neither the right of first refusal set forth in Section 9.3 nor the other conditions of Assignment shall apply to a transfer by Area Developer of all of Area Developer's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the Equity or voting interests of the new business Entity are owned by the same Owners (a "**Qualified Assignment**"). Any attempted or purported Assignment which fails to comply with the requirements of this Article 9 shall be null and void and shall constitute a Default under this Agreement.

9.3 **Right of First Refusal**. Except with respect to a "**Qualified Assignment**", if Area Developer or an Owner receive a bona fide written offer ("**Third Party Offer**") from a third party (the "**Proposed Buyer**") to purchase or otherwise acquire any interest in Area Developer which will result in an Assignment within the meaning of this Agreement, Area Developer or the Proposed Buyer, shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to all of the Stickhouse Shops then owned and operated by Area Developer in the Development Area.

9.3.1 Area Developer, or the Proposed Buyer, shall attach to its application for consent to complete the transfer a copy of the Third Party Offer together with (i) information relating to the proposed transferee's experience and qualifications, (ii) a copy of the proposed transferee's current financial statement, and (iii) any other information material to the Third Party Offer, proposed transferee and proposed assignment or that Franchisor requests.

9.3.2 Parent Company, Master Franchisor and/or Franchisor and/or their nominee shall have the right, exercisable by written notice ("**Purchase Notice**") given to Area Developer or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Area Developer or the Proposed Buyer that it will purchase or acquire the rights, assets, Equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Parent Company, Master Franchisor and/or Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of all amounts then due and owing from Area Developer to Franchisor under this Agreement or otherwise.

9.3.3 If Parent Company, Master Franchisor and/or Franchisor and/or their nominee elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Parent Company, Master Franchisor and/or Franchisor.

9.3.4 If Parent Company, Master Franchisor and/or Franchisor do not elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Area Developer. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Parent Company, Master Franchisor and/or Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 9.3.

9.4 **Conditions of Assignment to Third Party**. -As a condition to obtaining Franchisor's consent to an Assignment, all of the following conditions must be satisfied.

9.4.1 The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor's Then-Current qualifications for new Stickhouse Area Developers, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.

9 4 2 Area Developer must be in Good Standing on the date consent is requested and until the date of closing of the Assignment

9.4.3 The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer's financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either Area Developer or the Proposed Buyer if Franchisor approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties.

9.4.4 The Proposed Buyer must sign Franchisor's Then-Current form of Area Development Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects. In exchange for signing the Then-Current Area Development Agreement, the Proposed Buyer shall receive the rights provided for in this Agreement, as modified by the terms of the Then-Current form of Area Development Agreement. If

Franchisor is not offering new area development franchises, is in the process of revising, amending or renewing Franchisor's form of Area Development Agreement or Disclosure Document or is not lawfully able to offer Franchisor's Then-Current form of Area Development Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the Term of this Agreement on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a then-current form of Area Development Agreement.

9.4.5 Area Developer will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the transfer, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

9.4.6 Area Developer and the Proposed Buyer shall execute a General Release in favor of Parent Company, Master Franchisor and Franchisor in a form acceptable to Franchisor.

9.4.7 Area Developer shall pay Franchisor the sum of $10,000 as a transfer fee to apply against Franchisor's administrative and other costs to process the Assignment.

9.4.8 Area Developer must simultaneously transfer its rights all contracts for which continuation is necessary for operation of the Stickhouse Shops to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Area Developer's rights to the Proposed Buyer. The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained. If the Proposed Buyer is a corporation, limited liability company or other business Entity, each person who at the time of the Assignment, or later, owns or acquires, either legally or beneficially, twenty percent (20%) or more of the Equity or voting interests of the Proposed Buyer must execute a Guarantee in a form acceptable to Franchisor.

9.4.9 Area Developer's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Area Developer and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Area Developer only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied.

9.4.10 Except when the transferee is an existing Area Developer or franchisee of Franchisor, the Proposed Buyer, and a supervisorial or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Stickhouse Shops who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment.

9.4.11 The Proposed Buyer must conform the Stickhouse Shops with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Stickhouse Shops.

9.4.12 Area Developer must sign a guarantee personally guaranteeing the Proposed Buyer's obligations under the new Area Development Agreement in favor of Franchisor.

9.5 **Death or Incapacity**. In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated person, or the remaining shareholders, members, partners or Owners (the "**Successor**") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated person, or (ii) complete an Assignment of the interest of the deceased or incapacitated person to a qualified, approved third party, subject to the provisions of this Article 9. If a Successor has not purchased the interest of the deceased or incapacitated person or completed an Assignment of the interest of the deceased or incapacitated person to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

10. TRANSFER BY AREA DEVELOPER IN BANKRUPTCY

If, for any reason, this Agreement is not terminated pursuant to Section 11.1 and this Agreement is assumed, or Assignment of the same to any person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, setting forth (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept Assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Parent Company, Master Franchisor and/or Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Area Developer out of the consideration to be paid by the assignee for the Assignment of this Agreement.

11. DEFAULT AND TERMINATION

11.1 **Termination in the Event of Area Developer's Bankruptcy or Insolvency**. Area Developer shall be deemed to be in Default under this Agreement, and all rights granted to Area Developer of this Agreement shall automatically terminate without notice to Area Developer, (i) if Area Developer becomes insolvent or makes a general assignment for the benefit of creditors, (ii) if a petition in bankruptcy is filed under the United States Bankruptcy Act by Area Developer or such a petition is filed against and not opposed by Area Developer, (iii) if Area Developer is adjudicated as bankrupt or insolvent, (iv) if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for any Stickhouse Shop is filed and consented to by Area Developer, (v) if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, (vi) if proceedings for a composition with creditors under any Applicable Law is instituted by or against Area Developer, (vi) if a final judgment in excess of $100,000 against any Stickhouse Shops remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), (viii) if Area Developer admits Area Developer is unable to generally pay Area Developer's debts as they become due, (ix) if execution is levied against any Stickhouse Shop or property, (x) if suit to foreclose any lien or mortgage against any Stickhouse Shop or the equipment of any Stickhouse Shop is instituted against Area Developer and not dismissed within thirty (30) days, or (xi) if any Stickhouse Shop shall be sold after levy thereupon by any sheriff, marshal, or constable.

11.2 **Termination with Notice and Without Opportunity to Cure**. Area Developer shall be in Default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Area Developer any opportunity to cure the Default, effective immediately upon receipt of notice by Area Developer (i) if Area Developer or an Owner is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the Stickhouse System, the Stickhouse Marks, the goodwill associated therewith, or Franchisor's interest therein, (ii) if Area Developer fails to comply with the Development Schedule, (iii) if any of the Franchise Agreements or any other agreement between Area

Developer and Franchisor or its Affiliates are terminated due to a breach or Default by Area Developer, (iv) if any purported assignment or transfer of any direct or indirect interest in this Agreement, in the Stickhouse Shops, or in all or substantially all of Area Developer's assets is made to any third party by Area Developer or an Owner without Franchisor's prior written consent, (v) if any transfer of the Equity ownership interests of Area Developer or an Owner is made to any third party without Franchisor's prior written consent, (vi) if Area Developer or any Owner discloses or divulges the contents of Franchisor's Manuals, Trade Secrets or other Confidential Information provided to Area Developer by Franchisor, (vii) if an approved Assignment, as required by Section 9.5~~ of this Agreement~~, is not effected within the time provided following death or incapacity of an Owner, (viii) if Area Developer or an Owner fails to comply with the covenants in Article 13 ~~of this Agreement~~ or fails to obtain execution of and deliver the covenants required under Section 13.7~~ of this Agreement~~, (ix) if Area Developer or an Owner has made any material misrepresentations in connection with their application to Franchisor for the development rights granted by this Agreement, (x) if Area Developer or an Owner, after curing a Default pursuant to Section 11.3~~ of this Agreement~~, commits the same, similar, or different Default, whether or not cured after notice, (xi) if any Owner fails or refuses to deliver to Franchisor, within ten (10) days after Franchisor's written request, a Guarantee in substantially the form attached to this Agreement as **Exhibit C** and current financial statements as may from time to time be requested by Franchisor, (xii) if Area Developer, an Owner or an Affiliate fails to comply with any or all of the terms of this Agreement, or any other agreement between Franchisor, or its Affiliates, and Area Developer or an Owner beyond the applicable cure period or (xiii) upon a breach of Area Developer's obligations under this Agreement or any other agreement between Area Developer and Franchisor, which by its nature is not capable of being cured by Area Developer.

11.3 **Termination with Notice and Opportunity to Cure**. Except as provided in Sections 11.1 and 11.2~~ of this Agreement~~, Area Developer shall have thirty (30) days after its receipt of written notice from Franchisor within which to remedy any Default under this Agreement and to provide evidence thereof to Franchisor. If any such Default is not cured within the specified time, or such longer period as Applicable Law may require, this Agreement shall terminate without further notice to Area Developer effective immediately upon expiration of the thirty (30) day period or such longer period as Applicable Law may require. Area Developer shall be in Default pursuant to this Section 11.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Manuals, or for failure to carry out the terms of this Agreement in good faith.

11.4 **Options At Termination**. Upon any Default under Sections 11.2 or 11.3~~ of this Agreement~~, Franchisor may immediately take any one or more of the following actions, by written notice to Area Developer (i) terminate this Agreement and all rights granted to Area Developer under this Agreement, (ii) accelerate or decelerate the Development Schedule, (iii) reduce the Minimum Development Obligation, (iv) eliminate or diminish Area Developer's rights with respect to the Development Area or the size of the Development Area, or (v) increase the fees to be paid by Area Developer to Franchisor.

11.5 **Cross-Default**. Any Default by Area Developer under the terms and conditions of this Agreement, any Franchise Agreement, or any other agreement between Franchisor, or its Affiliates, and Area Developer, shall be deemed to be a Default of each and every other such agreement. In the event of the termination of this Agreement for any cause, or the termination of any other agreement between Franchisor, or its Affiliates, and Area Developer, Franchisor may, at its option, terminate any or all of such other agreements.

12. **OBLIGATIONS UPON TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted under this Agreement to Area Developer shall forthwith terminate, and the following provisions shall apply.

12.1 **No Right to Open Additional Franchised Businesses**. –To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, upon termination or expiration of this Agreement (i) Area Developer shall have no further right to develop any Stickhouse Shops, (ii) Area Developer shall have no further rights or obligations under this Agreement or the Stickhouse Franchise Agreements that were terminated, (iii) Area Developer shall have the right to continue to own and operate all Stickhouse Shops Opened by Area Developer prior to the termination date under Franchise Agreements with Franchisor that remain in full force and effect on the termination date, and (iv) Parent Company, Master Franchisor and/or Franchisor may thereafter develop, own and operate, and grant franchises to third parties to develop, own and operate Stickhouse Shops at any location within or outside of the Development Area, without restriction.

12.2 **Purchase Stickhouse Shops Assets**. Upon the expiration of this Agreement or the termination of this Agreement for any Default of Area Developer, Parent Company, Master Franchisor and/or Franchisor shall have the option, to be exercised by written notice to Area Developer within thirty (30) days after the Expiration Date or Termination Date, to purchase the assets of any or all of the Stickhouse Shops, regardless of whether such Stickhouse Shops are under construction or are Open and operating, and all of assets of Area Developer related to the Stickhouse Shops that Parent Company, Master Franchisor and/or Franchisor elect to purchase (collectively the "**Stickhouse Shops Assets**"). The purchase price for the Assets (the "**Purchase Price**") shall be the "**Fair Market Value**" of the Stickhouse Shops Assets as determined under this Section 12.2. "**Fair Market Value**" means the price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the date the option is first exercisable (the "**Exercise Date**"). Parent Company, Master Franchisor and/or Franchisor and Area Developer shall use their best efforts to mutually agree upon the Fair Market Value. If they are unable to so agree within thirty (30) days after the Exercise Date, Parent Company, Master Franchisor and/or Franchisor shall appoint, within forty (40) days of the Exercise Date, one (1) appraiser, and Area Developer shall appoint within forty (40) days of the Exercise Date, one (1) appraiser. The two (2) appraisers shall within a period of five (5) additional days, agree upon and appoint an additional appraiser. The three (3) appraisers shall, within sixty (60) days after the appointment of the third appraiser, determine the Purchase Price in writing and submit their report to Parent Company, Master Franchisor and/or Franchisor and Area Developer. The Purchase Price shall be determined by disregarding the appraiser's valuation that diverges the greatest from each of the other two (2) appraisers' valuations, and the arithmetic mean of the remaining two (2) appraisers' valuations shall be the Purchase Price. Parent Company, Master Franchisor and/or Franchisor and Area Developer shall each pay for the services of the appraiser they select, plus one half (1/2) of the fee charged by the third appraiser, and one half (1/2) of all other costs relating to the determination of the Purchase Price. The Purchase Price as so determined shall be payable as Parent Company, Master Franchisor and/or Franchisor and Area Developer mutually agree. If they are unable to so agree within ten (10) days after final determination of the Purchase Price, fifty percent (50%) of the Purchase Price shall be payable in cash and the remaining fifty percent (50%) of the Purchase Price shall be paid in eighty-four (84) equal monthly payments and shall bear interest at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), OR ten percent (10%) per annum, but in no event in excess of the maximum rate permitted by Applicable Law. Payment of the portion of the Purchase Price not paid in cash shall be secured by a security interest in the Stickhouse Shops Assets. Any purchase of the Stickhouse Shops Assets shall include the assumption by Parent Company, Master Franchisor and/or Franchisor and the assignment by Area Developer, of all Leases for the Stickhouse Shops that Parent Company, Master Franchisor and/or Franchisor elect to purchase.

12.3 **Irreparable Injury to Franchisor**. Area Developer agrees and acknowledges that Area Developer's failure to comply with the provisions of Section 12.2 will result in irreparable harm to Parent Company, Master Franchisor and Franchisor and to the Stickhouse Marks, and Area Developer agrees to pay all damages, expenses, court costs and reasonable attorneys' fees incurred by Parent Company, Master Franchisor and/or Franchisor in obtaining specific performance of, or an injunction against violation of, and/or damages resulting from a violation of, the requirements of Section 12.2 ~~of this Agreement~~.

12.4 **Payment of Monies Due**. Upon expiration or termination of this Agreement, Area Developer shall promptly pay all sums owing to Franchisor and its Affiliates. If this Agreement is terminated because of a Default by Area Developer, such sums also shall include all damages, costs, and expenses, including attorneys' fees, incurred by Franchisor as a result of the Default. Franchisor shall have the right to set off any amounts which Franchisor deems are payable to Franchisor by Area Developer.

12.5 **Return of Material and Other Confidential Information**. Upon termination or expiration of this Agreement, Area Developer shall immediately deliver to Franchisor the Manuals and all other records, files, and any instructions containing Confidential Information which are in Area Developer's possession and all copies thereof (all of which are acknowledged to be the property of Franchisor).

13. COVENANTS

13.1 **No Prior Experience, Information or Knowledge**. Area Developer specifically acknowledges and agrees that prior to becoming an area developer of Franchisor, Area Developer had no experience, information or knowledge whatsoever about an ice cream or frozen dessert shop or a Stickhouse Shop and that Area Developer's knowledge of the Confidential Information was obtained solely from Franchisor, following Area Developer's training by Franchisor and Area Developer's subsequent operation of the Stickhouse Shop under the Franchise Agreements. Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of the Stickhouse System, which are unique and proprietary to Parent Company, Master Franchisor and/or Franchisor, derive independent economic value from not being generally known to the public and are the subject of efforts that are reasonable under the circumstances to maintain their secrecy.

13.2 **Non-Competition During Term of Agreement**. Area Developer and each Owner covenants that during the Term, except as otherwise approved in writing by Franchisor, Area Developer and each Owner shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal Entity (i) divert or attempt to divert any present or prospective Stickhouse customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Stickhouse Marks and the Stickhouse System, (ii) employ or seek to employ any person who is or has been within the preceding thirty (30) days employed by Franchisor or an Affiliate of Franchisor as a supervisorial or managerial employee, or otherwise directly or indirectly induce such person to leave his or her employment, or (iii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this Section 13.2 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer.

13.3 **Non-Competition After Expiration or Termination of Agreement**. -Except as Franchisor otherwise approves in writing, commencing upon the date of (i) an Assignment permitted under Article 9~~-of this Agreement~~ (ii) the Expiration Date of this Agreement, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 13.3 and continuing for an uninterrupted period of two (2) years thereafter, Area Developer and each Owner shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located at a location designated as a "**Franchised Location**" in a Franchise Agreement between Franchisor, as franchisor, and Area Developer, or an Affiliate or Owner of Area Developer, as franchisee, except in accordance with the terms of an effective Franchise Agreement between Franchisor, as franchisor, and Area Developer, or an Affiliate or Owner of

Area Developer, as franchisee, or located within a twenty (20) mile radius of any Stickhouse Shop or a Franchised Location, as defined above provided, however, the restrictions stated in this Section 13.3 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer in the Development Area.

13.4 **Exceptions to Non-Compete Covenants**. -Sections 13.2 and 13.3 shall not apply to ownership by Area Developer or an Owner of a less than five percent (5%) beneficial interest in the outstanding Equity securities of any Competitive Business registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

13.5 **Reducing Scope of Covenants**. Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 13.2 and 13.3, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof, and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

13.6 **Enforceability of Covenants Not Affected by Area Developer Claims**. -The existence of any claims Area Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 13. Area Developer shall pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Article 13.

13.7 **Covenants from Individuals**. Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 13 (including covenants applicable upon the termination of a person's relationship with Area Developer) from all Owners. Every covenant required by this Section 13.7 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

13.8 **Breach of Covenants Causes Irreparable Injury**. Area Developer acknowledges that the violation of any covenant in this Article 13 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

13.9 **Effect of Applicable Law**. In the event any portion of the covenants in this Article 13 violates laws affecting Area Developer, or is held invalid or unenforceable in a final judgment to which Franchisor and Area Developer are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Area Developer. The provisions of this Article 13 shall be in addition to and not in lieu of any other confidentiality obligation of Area Developer, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

13.10 **Survival**. -The provisions of this Article 13 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or the Stickhouse Marks, the Stickhouse System, the Confidential Information, the Trade Secrets, or any other proprietary aspects of Franchisor's business.

14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 **No Fiduciary Relationship**. This Agreement does not create a fiduciary relationship between the Parties. Area Developer shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

14.2 **Public Notice of Independent Status**. Area Developer shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Area Developer of Franchisor, and shall place such notice of independent ownership on all forms Franchisor shall have the right to specify the language of any such notice.

14.3 **Independent Contractor**. -Area Developer acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, nor shall Franchisor be liable by reason of any act or omission of Area Developer in its conduct of the operation of the Stickhouse Shops or for any claim or judgment arising therefrom against Area Developer or Franchisor.

14.4 **Indemnification**. Developer and its Owners and Affiliates (collectively, the "**Indemnitors**") shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Parent Company, Master Franchisor and/or Franchisor, their Affiliates and their respective directors, officers, employees, shareholders and agents (collectively, the "**Indemnitees**"), from any and all "**Losses and Expenses**" incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof (collectively, an "**Indemnifiable Claim**") which arises directly or indirectly from, as a result of, or in connection with Area Developer's operation of each Stickhouse Shop and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Area Developer, provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Parent Company, Master Franchisor and/or Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 14.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Area Developer). For the purpose of this Section 14.4 the term "**Losses and Expenses**" means and includes compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party's reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses.

14.4.1 The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which indemnification is required under this Section 14.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a "**Third Party Claim**") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a "**Direct Claim**"), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known. If, through the fault of the Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees' failure to give such notice on a timely basis.

14.4.2 With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume such control shall be made within thirty (30) days after the Indemnitors' receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless the Indemnitors consent to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses).

14.4.3 If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

14.4.4 If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees, which consent shall not be unreasonably withheld or delayed. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they become available).

14.4.5 With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Article 15.

14.4.6 The Indemnitees shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

15. DISPUTE RESOLUTION

15.1 **Mediation**. -The Parties shall endeavor to resolve any dispute arising out of or relating to this Agreement by mediation under procedures established by a reputable mediation program in Los Angeles County, California, mutually acceptable to the Parties or, if the Parties cannot agree upon a mediation program within ten (10) days after a demand for mediation by either Party, under the mediation procedures established by the American Arbitration Association. Each Party shall pay fifty percent (50%) of the mediation expenses payable to the mediation program and all of its legal expenses for any mediation. If any dispute remains unresolved ninety (90) days after a demand for mediation by either Party, Franchisor and

Area Developer shall each be free to pursue their respective legal remedies under Section 15.2. The mediation provision in this- Section 15.1 shall not apply to any action for injunctive or other provisional relief, including, without limitation, enforcement of liens, security agreements, or attachment, as Franchisor deems to be necessary or appropriate to compel Area Developer to comply with Area Developer's obligations to Franchisor and/or to protect the Stickhouse Marks. Any claim or dispute involving or contesting the validity of any of the Stickhouse Marks shall not be subject to mediation.

15.2 **Judicial Relief**. The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court of the Central District of California To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. California law shall govern the construction, interpretation, validity and enforcement of this Agreement, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event federal law shall govern in the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Stickhouse Shops are located outside of California and such provision would be enforceable under the laws of the state in which the Stickhouse Shops are located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 15.2 is intended by the Parties to subject this Agreement to any franchise or similar law, rules or regulation of any state to which it would not otherwise be subject.

15.3 **Waivers**. The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Area Developer, for themselves, and for and on behalf of the Franchisor Owners and the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Area Developer shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 15.5.

15.4 **Specific Performance**. Franchisor and Area Developer acknowledge that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, the provisions of this Agreement shall be specifically enforceable. Franchisor and Area Developer further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Area Developer might otherwise have.

15.5 **Attorneys' Fees**. –In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a Court.

15.6 **Exclusive Remedy**. In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement Each Party waives any such claim for damages. Neither Party may claim any such damages by way of setoff, counterclaim or defense. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

16. **ANTI-TERRORISM LAWS**

Area Developer 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 Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**"). In connection with its compliance, Area Developer certifies, represents and warrants that none of Area Developer's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Area Developer is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Area Developer or Area Developer's employees or any "blocking" of Area Developer's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Area Developer has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 11.2.

17. **NOTICES**

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written Notice to the other Party.

Notices to Franchisor

Gelatoro Franchising, LLC
7095 Hollywood Boulevard
Suite 1008
Hollywood, California 90028
Attention: President

With a copy to (which shall not constitute notice):

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall and Harlan,
A Law Corporation
16633 Ventura Boulevard, 11th Floor
Encino, California 91436

Notices to Area Developer

____
____
____
____
Attention __________________

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party.

18. ACKNOWLEDGMENTS

18.1 **Waiver and Delay**. No waiver by Parent Company, Master Franchisor and/or Franchisor of any Default, or series of Defaults in performance by Area Developer, and no failure, refusal or neglect of Parent Company, Master Franchisor and/or Franchisor to exercise any right, power or option given to it under this Agreement or under any agreement between Franchisor and Area Developer, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Area Developer's obligations under this Agreement or any Franchise Agreement or other agreement between Franchisor and Area Developer, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Parent Company, Master Franchisor and/or Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

18.2 **Survival of Covenants**. The covenants contained in this Agreement which, by their nature or terms, require performance by the Parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

18.3 **Successors and Assigns; Third Party Beneficiaries**. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Parent Company, Master Franchisor and Franchisor and shall be binding upon and inure to the benefit of Area Developer and its or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement. Franchisor and Area Developer acknowledge and agree that Parent Company and Master Franchisor are third-party beneficiaries under this Agreement and that Parent Company and/or Master Franchisor shall have the right to assume the responsibilities, duties or functions of Franchisor under this Agreement.

18.4 **Joint and Several Liability**. If Area Developer consists of more than one Owner, the obligations and liabilities of each person or Entity to Franchisor are joint and several.

18.5 **Entire Agreement**. This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Agreement and superseded by this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement and Area Developer agrees that it has executed this Agreement without reliance upon any representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of the Parties. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim the representations made to Area Developer in the Franchise Disclosure Document.

18.6 **Titles and Recitals**. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The Recitals set forth in Recitals A through ~~F~~C of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.

18.7 **Gender and Construction**. The terms of all Exhibits attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section in this Agreement may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Area Developer that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. To protect the Stickhouse System, the Stickhouse Marks, the Stickhouse Trade Secrets, and the goodwill associated with the same, on any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. 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. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. Franchisor and Area Developer 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.

18.8 **Severability, Modification**. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in that event, the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law in the event that any part, article, section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

18.9 **Counterparts and Electronic Transmission; Electronic Signatures**. –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.- Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement and all Exhibits to this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement and the Exhibits shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

18.10 **Time of the Essence**. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

18.11 **Acceptance of Conditions**. Area Developer has read this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Stickhouse Shops in order to protect and preserve the Stickhouse System and the goodwill of the Stickhouse Marks.

18.12 **Independent Investigation**. Area Developer has conducted an independent investigation of the business contemplated by this Agreement. Area Developer recognizes that the Stickhouse System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Area Developer's business ability and efforts.

18.13 **Counsel**. The Parties acknowledge and agree that each Party has been represented by independent legal counsel of their choice in connection with this Agreement or has had the opportunity to have legal counsel review this Agreement and advise the Party regarding the same, but has voluntarily chosen not to do so.

18.14 **Reliance**. Area Developer has not received or relied upon any promise or guarantee, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement.

18.15 **No Representations**. No representations have been made by Franchisor or its Affiliates or their respective officers, directors, shareholders, employees or agents, that are contrary to the terms contained in this Agreement Area Developer shall remain duly organized and in Good Standing for as long as this Agreement is in effect.

18.16 **Atypical Arrangements**. Area Developer acknowledges and agrees that Parent Company, Master Franchisor and Franchisor may modify the offer of licenses and franchises to other Stickhouse area developers and franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations which may differ from the terms, conditions, and obligations in this Agreement. Area Developer further acknowledges and agrees that Franchisor has made no warranty or representation that area development agreements or franchise agreements previously issued or issued after this Agreement by Parent Company, Master Franchisor or Franchisor do or will contain terms substantially similar to those contained in this Agreement. Parent Company, Master Franchisor and/or Franchisor may, in their reasonable business judgment and their sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Agreements previously executed or executed after the date of this Agreement with other Stickhouse area developers and franchisees in a non-uniform manner.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date

FRANCHISOR	**AREA DEVELOPER**
GELATORO FRANCHISING, LLC A California limited liability company	____________________ ____________________
By ____________________	By ____________________
Name ____________________	Name ____________________
Title ____________________	Title ____________________

GELATORO FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT A
ENTITY INFORMATION DISCLOSURE

GELATORO FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT A
ENTITY INFORMATION DISCLOSURE

Area Developer represents and warrants that the following information is accurate and complete in all material respects.

(1) Area Developer is a (check as applicable)

[ ] corporation
[ ] limited liability company
[ ] general partnership
[ ] limited partnership
[ ] Other (specify) ______________________

State of incorporation/organization ______________

Name of entity ______________________________
Federal Tax Identification Number: ____________

(2) Area Developer shall provide to Franchisor concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation/Organization, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement and any amendments to the foregoing (the "Entity Documents").

(3) Area Developer promptly shall provide all additional information as Franchisor may from time to time request concerning all persons who may have any, direct or indirect, financial interest in Area Developer.

(4) The name and address of each Owner is

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(5) The names, addresses and titles of the Owners who will be devoting their full time to the development of Stickhouse Shops are

NAME	ADDRESS	TITLE

(6) The address where Area Developer's financial records and Entity Documents are maintained is ______________________________

(7) The Principal Owner is ______________________________

(8) Area Developer represents and warrants to Franchisor, as an inducement to Franchisor's execution

of this Agreement, that the information set forth in this Entity Information Disclosure is true, accurate and complete in all material respects on the Effective Date and that Area Developer shall provide Franchisor with all additional information Franchisor may request with respect to the Owners and the ownership of Area Developer. In addition, Area Developer shall notify Franchisor within ten (10) days of any change in the information set forth in the Entity Information Disclosure and shall provide Franchisor with a revised Entity Information Disclosure certified by Area Developer to be true, correct and complete in all material respects. Franchisor grants Area Developer the rights in this Agreement in reliance upon each and all of the terms of the Entity Information Disclosure.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the Effective Date

FRANCHISOR	**AREA DEVELOPER**
GELATORO FRANCHISING, LLC	____________________
A California limited liability company	____________________
By ____________________	By ____________________
Name ____________________	Name ____________________
Title ____________________	Title ____________________

GELATORO FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT B
DEVELOPMENT AREA, OBLIGATION, SCHEDULE, PERIODS, FEES AND TYPES

GELATORO FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT B
DEVELOPMENT AREA, OBLIGATION, SCHEDULE, PERIODS AND FEES

A. The **DEVELOPMENT AREA** is defined as the territory within the boundaries described below:

____
____
____

If the Development Area is defined by streets, highways, freeways or other roadways then the boundary of the Development Area shall extend to the center line of each street, highway, freeway or other roadway.

B. **MINIMUM DEVELOPMENT OBLIGATION** _________ Stickhouse Shops, including:
Factory: ____ Full Shop: _____ Sales Shop: _____ Kiosk: _____
Stick Truck: _____ Stick Cart: _____ Corner: _____

C. **DEVELOPMENT FEE TOTAL $**_____________.

D. **DEVELOPMENT FEE CREDIT $**___________ (maximum credit is $20,000 for each Full Shop, Sales Shop, and Kiosk, $12,500 for each Stick Truck, $3,750 for each Stick Cart, and $1,250 for each Corner).

E. **INITIAL FRANCHISE FEE TO BE PAID AT SIGNING $**_________.

F. **TOTAL INITIAL FRANCHISE FEES $**_________.

G. **DEVELOPMENT SCHEDULE:** ________ Stickhouse Shops must be Opened as follows:

DEVELOPMENT PERIOD ENDING	CUMULATIVE NUMBER OF STICKHOUSE SHOPS TO BE IN OPERATION	TYPE OF STICKHOUSE SHOPS TO BE IN OPERATION
TOTAL		

IN WITNESS WHEREOF, the Parties have executed this **Exhibit B** on the Effective Date

FRANCHISOR

GELATORO FRANCHISING, LLC
A California limited liability company

By ___________________________

Name ___________________________

Title ___________________________

AREA DEVELOPER

____
____

By ___________________________

Name ___________________________

Title ___________________________

GELATORO FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT

GELATORO FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT

EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT

The undersigned ~~("~~(collectively, "**Guarantors**") have requested **GELATORO FRANCHISING, LLC**, a Delaware Limited Liability Company ("**Franchisor**"), to enter into an Area Development Agreement dated __________________ (the "**Area Development Agreement**") with ______________________________ a ____________________ ("**Area Developer**"). In consideration for, and as an inducement to, Franchisor's execution of the Area Development Agreement, Guarantors hereby grant this guarantee (this "**Guarantee**") and agree as follows

1. "**Obligations**" means and includes any and all obligations of Area Developer arising under or pursuant to the Area Development Agreement and all other obligations, whether now existing or hereafter arising, of Area Developer to Franchisor of whatever nature.

2. Guarantors irrevocably and unconditionally, fully ~~guarantees~~guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Area Developer to Franchisor and the performance of any and all obligations of Area Developer including, without limitation, obligations under the Area Development Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.

3. If Area Developer fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary obligation of Guarantors. Guarantors agree that if any obligation, covenant or agreement contained in the Area Development Agreement is not observed, performed or discharged as required by the Area Development Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, observe, perform or discharge such obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors.

4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Area Developer or any other person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Area Developer without limiting the generality of the foregoing. Guarantors agree that, regardless of whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Area Development Agreement or of any of the Obligations, in whole or in part, (ii) any acceptance, enforcement or release by Franchisor of any security for the Area Development Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Area Development Agreement or the Obligations or any security therefore, (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any assignment or transfer of the Area Development Agreement (or any of them) by Franchisor or Area Developer, (iv) the invalidity or unenforceability of any provision of the Area Development Agreement or any of the Obligations, or (v) any failure, omission or delay of Franchisor in enforcing the Area Development Agreement, the Obligations or this Guarantee.

5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Area Developer or any other person, firm or corporation or to proceed against

or exhaust any security held by Franchisor at any time or to pursue any other remedy in Franchisor's power, (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby, (iii) any defense that may arise by reason of Area Developer's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Area Developer, any other or others, (iv) any defense arising out of any alteration of the Area Development Agreement or the Obligations, (v) notice of Area Developer's Default in the payment or performance of any of the Obligations, (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional obligations or of any action or non-action on the part of Area Developer, Franchisor, any endorser, creditor of Area Developer or Guarantors under this or any other instrument, or any other person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed, (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Area Developer by operation of Applicable Law or otherwise, (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Area Developer, regardless of whether Franchisor has reason to believe that any such facts materially increase the risk beyond that which Guarantors intends to assumes or has reason to believe that such facts are unknown to Guarantors or has a reasonable opportunity to communicate such facts to Guarantors, it being understood and agreed that Guarantors are responsible to be and to keep informed of Area Developer's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed, and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Area Developer. All existing or future indebtedness of Area Developer to Guarantors and any right to withdraw capital invested in Area Developer by Guarantors are hereby subordinated to all Obligations.

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and such rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through 2856(a)(3), inclusive, including, without limitation, any rights or defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Section 2899.

8. The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Area Developer's obligations. This is a continuing Guarantee. It shall be irrevocable during the initial term and each renewal term and through any extensions, amendments, modifications, substitutions or replacements of the Area Development Agreement and until all Obligations have been fully paid and the Obligations have been fully performed. In the event of any Default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Area Developer or whether Area Developer is joined in any such action or actions. Franchisor may maintain successive actions for other Defaults. Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any such action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The obligations of Guarantors shall be primary and are independent of the obligations of Area Developer and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Area Developer or any other person or Entity, or applying

or enforcing any security of the Area Development Agreement.

9. Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter ~~hereof~~of this Guarantee and no representation, understanding, promise or condition concerning the subject matter ~~hereof~~of this Guarantee shall bind Franchisor unless expressed in this Guarantee.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Article 17 of the Area Development Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantors' signature below.

11. This Guarantee 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. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12. This Guarantee shall be governed by and construed in accordance with the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. Nothing in this ~~Section~~Paragraph 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the State of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Los Angeles. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

Executed by or on behalf of Guarantors on the date set forth below

____________________________ Date: ____________________

____________________________ Date: ____________________

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT C
OPTION TO OBTAIN LEASE ASSIGNMENT

GELATORO FRANCHISING, LLC
OPTION TO OBTAIN LEASE ASSIGNMENT

THIS OPTION TO OBTAIN LEASE ASSIGNMENT (this "**Agreement**") is made and entered into as of ____________ (the "**Effective Date**"), by and between **GELATORO FRANCHISING, LLC**, a California limited liability company ("**Franchisor**"), and ______________________, a ___________________________ ("**Franchisee**"), and ______________________, a ___________________________ ("**Landlord**"), with reference to the following facts:

A. On _____________, Landlord, as lessor, and Franchisee, as tenant, entered into a Lease (the "**Lease**") for the premises located at____ (the "**Franchised Location**") pursuant to which Franchisee leased the Franchised Location from Landlord for the purpose of operating a franchised Stick House Shop (the "**Stick House Shop**") at the Franchised Location.

B. On ___________, Franchisor, as franchisor, and Franchisee, as franchisee, entered into a Franchise Agreement (the "**Franchise Agreement**") pursuant to which Franchisee agreed to operate the Stick House Shop at the Franchised Location as a franchisee of Franchisor in accordance with the terms and conditions of the Franchise Agreement.

C. Franchisee, Franchisor and Landlord desire to enter into this Agreement to define the rights of Franchisor in and to the Franchised Location and to protect the interests of Franchisor with respect to the continued operation of a Stick House Shop at the Franchised Location during the entire term of the Lease and any renewals and extensions of the Lease on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. <u>INCORPORATION OF RECITALS</u>.

The Recitals set forth in Paragraphs A through C of this Agreement are true and correct and are incorporated into this Agreement as part of this Agreement.

2. <u>OPTION</u>.

Franchisee does hereby grant to Franchisor an option, exercisable at any time within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in <u>Section 3.1</u> through <u>Section 3.7</u> of this Agreement (the "**Option**"), to succeed to Franchisee's rights under the Lease and to obtain an assignment of the rights and obligations of Franchisee under the Lease to Franchisor (the "**Assignment**"). This Agreement shall remain in full force and effect, and the Option granted in this Section 2 shall remain exercisable by Franchisor, during the entire term of the Franchise Agreement and the Lease, including all extension terms and/or renewal terms of the Franchise Agreement and the Lease.

3. <u>ONLY EFFECTIVE UPON EXERCISE OF OPTION</u>.

This Agreement shall be effective upon the Effective Date; however, the Assignment shall only become effective if, and when, Franchisor expressly exercises the Option in writing after the occurrence of one or more of the following events:

3.1 **<u>Franchise Agreement</u>.** The occurrence of (i) any acts which would result in the immediate termination of the Franchise Agreement; or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Franchise Agreement, which default is not cured within the applicable cure period set forth in the Franchise Agreement.

3.2 **Lease.** The occurrence of (i) any acts which would result in the termination or merger of the Lease; or (ii) the default by Franchisee in the performance of any of the terms or obligations of the Lease which default is not cured within the applicable cure period set forth in the Lease.

3.3 **Sale of Shop.** If Franchisee, without the prior written consent of Franchisor, either (i) sells, transfers, assigns, sublets or enters into any agreement to sell, transfer, assign or sublet any of its right, title or interest in and to the Stick House Shop, including any transfer, assignment or sublet of the Franchise Agreement, the Lease or any of the operating assets of the Stick House Shop; or (ii) amends the Lease in any manner which would impair the value of the security granted by this Agreement or which would materially affect the rights of Franchisor under this Agreement.

3.4 **Failure to Exercise Option to Renew or Extend.** If Franchisee shall fail to exercise any option to renew or extend the term of the Lease.

3.5 **Insolvency.** If Franchisee (i) is adjudicated insolvent or makes an assignment for the benefit of creditors; or (ii) Franchisee applies for or consents to the appointment of a custodian, receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) if such a custodian, receiver, trustee or similar officer is appointed without the application or consent of Franchisee, and such appointment continues undischarged for a period of sixty (60) days.

3.6 **Bankruptcy.** If Franchisee (i) is adjudicated bankrupt or institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (ii) any such proceeding is instituted (by petition, application or otherwise) against Franchisee and remains undismissed for a period of sixty (60) days.

3.7 **Purchase of Franchised Location.** If Franchisee or any entity with which Franchisee has any financial interest enters into any agreement to purchase the Franchised Location from Landlord. Franchisee and Landlord shall each provide Franchisor with independent and separate written notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement no later than fifteen (15) days after the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement.

4. CONSENT TO ASSIGNMENT.

Landlord hereby consents to the Assignment and agrees that its consent to the Assignment shall remain in effect during the entire term of the Lease and any and all renewals and extensions of the Lease. The Lease shall not be amended, modified, altered, assigned, extended, renewed or terminated by Landlord, nor shall the Franchised Location be sublet by Franchisee with the consent of Landlord, without the prior written consent of Franchisor.

5. EXERCISE OF OPTION BY FRANCHISOR.

Franchisor shall exercise the Option by giving written notice to Franchisee and Landlord of its affirmative election to do so within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement.

5.1 **Cure Defaults.** If Franchisor exercises the Option, Franchisee, Franchisor or its franchisee-designee, shall have the right to cure all uncured defaults of Franchisee under the Lease which exist as of the date of the exercise of the Option when Franchisor or its franchisee-designee is put into actual possession of the Stick House Shop. The period of time to cure all defaults of Franchisee under the Lease shall be reasonably and appropriately extended by Landlord beyond the cure period provided to Franchisee under the Lease.

5.2 **Assignment of Rights**. Franchisor shall have the right, concurrently with or subsequent to Franchisor's exercise of the Option, to assign and transfer its rights under this Agreement to an affiliate or a franchisee of Franchisor without the prior consent of Landlord. In the event of such an assignment or transfer, the Franchisor's affiliate-designee or franchisee-designee shall obtain the Assignment in place and instead of Franchisor.

5.3 **Indemnification by Assignor**. Franchisee agrees to pay and reimburse Franchisor and to hold Franchisor harmless from and against any and all costs, damages, attorneys' fees, liabilities or other expenses of any nature whatsoever incurred by Franchisor in connection with the enforcement of Franchisor's rights and/or the performance of Franchisor's rights or obligations under this Agreement. Franchisor's exercise of the Option shall not release Franchisee from any liability to Landlord or Franchisor for any rents, costs, damages, attorneys' fees, liabilities or other expenses incurred by Franchisor or Landlord as a result of Franchisee's defaults or actions under Sections 3.1 through 3.7 of this Agreement.

6. TERM OF AGREEMENT.

This Agreement shall terminate upon the termination of the Lease with the written consent of Franchisor.

7. TERMINATION OF LEASE AND FRANCHISE AGREEMENT.

7.1 **Termination of Lease**. If, and only if, Franchisor exercises the Option, upon any termination of the Lease prior to the expiration date of the Lease or upon expiration of the term of the Lease in violation of Section 3.4 of this Agreement, following Franchisor's exercise of the Option, Franchisor shall, in Franchisor's discretion, either succeed to Franchisee's rights under the Lease or Landlord shall enter into a substitute lease for the Franchised Location with Franchisor, or its designee, on the identical terms and conditions as contained in the Lease, for the remaining term of the Lease, with identical extension or renewal options, within ten (10) business days of the termination or expiration of the Lease.

7.2 **Termination of Franchise Agreement**. Upon Franchisor's exercise of the Option, Franchisee shall surrender possession of the Franchised Location to Franchisor and Franchisor shall be entitled to, and Franchisee shall provide Franchisor with, immediate possession of the Franchised Location and Franchisee shall no longer be entitled to the use or occupancy of the Stick House Shop or the Franchised Location, including all of Franchisee's rights in and to the same, including all improvements, buildings and fixtures which are a part of the same will, in all respects, be deemed to have been terminated and, under the terms of this Agreement and the applicable provisions of the Franchise Agreement, assigned to Franchisor. Franchisor shall have the right to manage and operate the Stick House Shop at the Franchised Location immediately upon its exercise of the Option.

7.3 **De-Identification of Shop**. If Franchisor does not exercise the Option upon a termination of the Franchise Agreement and/or Lease, Franchisor shall have the right to enter the Stick House Shop and the Franchised Location to remove and modify to Franchisor's satisfaction, all distinctive design features and characteristics of the Stick House Shop and the Franchised Location, including distinctive interior designs and surface materials and refrigeration equipment, display fixtures, color décor and interior and exterior signs and all other items identifying the Stick House Shop and the Franchised Location as a Stick House Shop.

8. **RESTRICTIONS ON TRANSFER.**

This Agreement may not be assigned by Franchisee without the prior written consent of Franchisor. Franchisee shall not sell, transfer, assign, sublet or otherwise encumber any or all of its right, title or interest in and to the Stick House Shop, the Franchise Agreement or the Lease, except in accordance with the applicable terms and conditions of the Franchise Agreement. Franchisee shall not amend, modify or alter the Lease during the term of this Agreement without the prior written consent of Franchisor and shall provide Franchisor with at least thirty (30) days prior written notice of any proposed amendment, modification, alteration, extension or renewal of the Lease.

9. **POWER OF ATTORNEY.**

Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to exercise any and all of Franchisee's rights in, to and under the Lease and in and to the Franchised Location upon the occurrence of a default or an event of default under the Lease or Franchise Agreement. Landlord acknowledges this appointment and agrees to recognize and accept the rights and actions of Franchisor under this appointment.

10. **GENERAL PROVISIONS.** -

10.1 **Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State in which the Franchised Location is located.

10.2 **Notices.**- All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

If to Franchisor:

Gelatoro Franchising, LLC
7095 Hollywood Boulevard
Suite 1008
Hollywood, California 90028
Attention: President

With a copy (which shall not constitute notice) to:

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall and Harlan,
A Law Corporation
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Fax: (818) 981-4764

If to Franchisee: ______________________________

____

____

Attention: -______________________

Facsimile No.:-____________________

If to Landlord: ______________________________

____

____

Attention:- _______________________

Facsimile No.: ____________________

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties.

10.3 **Waivers**. The delay, omission or forbearance by Franchisor to take action to remedy or seek damages for the breach or default of any term, covenant or condition of this Agreement or to exercise any right, power or duty arising from such breach or default shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach or default of the same or any other term, covenant or condition of this Agreement. The subsequent acceptance of performance by Franchisor shall not be deemed to be a waiver of any preceding breach or default by Franchisee other than its failure to pay the particular payment so accepted, regardless of Franchisor's knowledge of such preceding breach or default at the time of acceptance of such payment.

10.4 **Attorneys' Fees**. If any legal action is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled.

10.5 **Modification.** This Agreement may be modified only by a writing executed by the party sought to be bound.

10.6 **Entire Agreement**. This Agreement, and the other agreements referred to in this Agreement, and any other agreement that may be executed by the parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the parties with regard to the subject matter of this Agreement and any agreement, representation or understanding, express or implied, heretofore made by either party or exchanged between the parties are hereby waived and canceled.

10.7 **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable or otherwise shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law. -

10.8 **Captions**. The various titles of the Sections in this Agreement are used solely for convenience and shall not be used in interpreting or construing any word, clause, Section or subparagraph of this Agreement. -

10.9 **Gender**. All words used in this Agreement in the singular shall include the plural and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine. -

10.10 **Successors.** This Agreement shall be binding upon all of the parties to this Agreement, their respective heirs, executors, administrators, personal representatives, successors and assigns.

10.11 **Severability.** The invalidity of any one or more of the provisions contained in this Agreement, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof. -

10.12 **Additional Documents.** Each of the parties agrees to execute, acknowledge and deliver to the other party and to procure the execution, acknowledgment and delivery to the other party of any additional documents or instruments which either party may reasonably require to fully effectuate and carry out the provisions of this Agreement.

10.13 **Counterparts and Electronic ~~Copies.~~Transmission; Electronic Signatures.** 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~~Copies of this Agreement with signatures that have been transmitted ~~electronically~~by email or by facsimile ~~will~~shall constitute and 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~~ the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

10.14 **General.** Franchisee acknowledges that Franchisee has carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that Franchisee has obtained the advice of counsel in connection with entering into this Agreement, that Franchisee understands the nature of this Agreement and that Franchisee intends to comply herewith and be bound hereby. Franchisee further acknowledges that it has read and understood 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.

10.15 **Atypical Terms.** Franchisee acknowledges and agrees that Franchisor has made no warranty or representation that all Option to Obtain Lease Assignment 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 Option to Obtain Lease Assignment Agreements previously executed or executed after the date of this Agreement with other Stick House franchisees in a non-uniform manner.

(Signature Page Follows)

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

FRANCHISOR:

GELATORO FRANCHISING, LLC
A California limited liability company

By: ______________________________

Name: ______________________________

Title: ______________________________

FRANCHISEE:

____
A ______________________________

By: ______________________________

Name: ______________________________

Title: ______________________________

LANDLORD:

____
A ______________________________

By: ______________________________

Name: ______________________________

Title: ______________________________

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT D
CONFIDENTIALITY AGREEMENT FOR PROSPECTIVE FRANCHISEES

GELATORO FRANCHISING, LLC
CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this ____ day of ________________, 20__, by and between **GELATORO FRANCHISING, LLC**, a California limited liability company ("**Franchisor**"), on the one hand, and ____________________, a __________________________ –("**Candidate**"), on the other hand, with reference to the following facts:

A. Stick House Company srl, an Italian limited liability company ("**Parent Company**"), has developed the "**Stickhouse System**" for the establishment and operation of retail shops (the "**Stickhouse Shops**") that offer handmade ice cream on a stick, cold and hot beverages, sweets, chocolates, salad delicacies and ancillary related products for on-premises and off-premises consumption under the trade name and service mark "**Stickhouse**" and other related trademarks, service marks, logos and commercial symbols (the "**Stickhouse Marks**"). Parent Company has issued a license to Stick House USA LLC, a Delaware limited liability company ("**Master Franchisor**"), to use and sublicense the use of the Stickhouse System and the Stickhouse Marks for the sale of franchised Stickhouse Shops within the United States.

B. On May 1, 2015, Master Franchisor and Gelatoro, LLC, a California limited liability company ("**Operating Company**") entered into a Subfranchise Agreement under which Master Franchisor granted Operating Company (i) the right and obligation to develop, own and operate Stickhouse Shops in the State of California; and (ii) the right and obligation to grant subfranchises to qualified third parties to develop, own and operate Stickhouse Shops in the State of California under individual Franchise Agreements and Area Development Agreements with Operating Company (the "**Subfranchising Rights**"). –On February 15, 2016, Operating Company assigned the Subfranchising Rights to Franchisor, with the consent of Master Franchisor.

C. Franchisor may provide Candidate with confidential and proprietary information regarding the Stick House System prior to granting or declining to grant Candidate a franchise. Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED:

1. **INCORPORATION OF RECITALS.**

The recitals set forth in Paragraph A through Paragraph C above are true and correct and are hereby incorporated by reference into the body of this Agreement.

2. **CONFIDENTIALITY.**

Candidate acknowledges and agrees:

2.1. **Confidential Information**. That Candidate's knowledge of the elements of the Stick House System and any other proprietary data that may be disclosed to Candidate by Franchisor, or any affiliate of Franchisor, including, without limitation, any and all confidential and/or proprietary knowledge, data or information of a party and any and all confidential and/or proprietary knowledge, data or information which a party has obtained or obtains from another person or entity and which a party treats as proprietary or designates (whether or not in writing or electronic form) as "**Confidential Information**". By way of illustration, but not limitation, "**Confidential Information**" includes without limitation, tangible and intangible information (whether or not in electronic form) relating to business operations, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Parent Company, Master Franchisor and Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Stickhouse Shop which may be communicated to Candidate, or of which Candidate may be apprised under the terms of this Agreement, and any other information or material considered proprietary by Parent Company, Master Franchisor, Operating Company, and Franchisor whether or not designated as confidential information by Parent Company, Master Franchisor, Operating Company, and Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Parent Company, Master Franchisor, Operating Company, and Franchisor or their Affiliates and which is the subject of efforts by Parent Company, Master Franchisor, Operating Company, and/or Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Candidate prior to its Disclosure by Franchisor, is or becomes generally available to the public by acts other than those of Candidate after receiving it, has been received lawfully and in good faith by Candidate from a third party who did not derive it from Parent Company, Master Franchisor, Operating Company, or Franchisor or Candidate, or is shown by acceptable evidence to have been independently developed by Candidate.

2.2. **Value.** That the Confidential Information has been developed by Parent Company, Master Franchisor, Operating Company, and Franchisor and their affiliates by the investment of time, skill, effort and money and is widely recognized by the public and is of substantial value.

2.3. **Proprietary.** That the Confidential Information is proprietary, confidential and constitutes a trade secret of Parent Company, Master Franchisor, Operating Company, and Franchisor and their affiliates.

2.4. **Maintain Confidentiality.** That Candidate will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person's signature on a Non-Disclosure Agreement similar to this Agreement, unless covered by attorney-client privilege.

2.5. **Reproduction and Use**. That Candidate will not directly or indirectly reproduce or copy any Confidential Information or any part thereof and will make no use of any Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate's Franchise Agreement.

2.6 **No Prior Experience**. That Candidate specifically acknowledges and agrees that prior to the execution of this Agreement, Candidate had no experience, information or knowledge whatsoever about the retail ice cream or frozen dessert business or a Stickhouse Shop and that Candidate's knowledge of the Confidential Information was obtained solely from Franchisor pursuant to this Agreement. In addition, Candidate specifically acknowledges that, pursuant to this Agreement, Candidate will receive valuable Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Stick House System, which are unique and proprietary to Parent Company, Master Franchisor, Operating Company, and Franchisor and their affiliates, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.

3. **GENERAL**.

3.1. **Injunction**. Candidate recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the Stick House System and agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information will cause irreparable damage to Parent Company, Master Franchisor, Operating Company, and Franchisor and their affiliates and franchisees. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of the Confidential Information, Parent Company, Master Franchisor, Operating Company, and Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3.2. **Heirs and Successors**. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

3.3. **Entire Agreement**. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.4. **No Warranties**. Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document concerning the profitability or likelihood of success of the Stick House Restaurant, that Candidate has been informed by Franchisor that there can be no guaranty of success in the Stick House Restaurant and that Candidate's business ability and aptitude are primary in determining his success.

3.5. **No Right to Use the Stick House System or the Stick House Marks**.- This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3.6. **Waiver**. Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.

3.7. **Validity**. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.8. **Headings and Gender.** The headings herein are for purposes of convenience only and shall not be used in construing the provisions hereof. -As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.9. **Attorneys' Fees.** If Parent Company, Master Franchisor, Operating Company, or Franchisor become a party to any legal proceedings concerning this Agreement by reason of any act or omission of Candidate or its authorized representatives, Candidate shall be liable to Parent Company, Master Franchisor, Operating Company, and Franchisor for their reasonable attorneys' fees and court costs incurred in the legal proceedings. -If either party commences a legal proceeding against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

3.10. **Cumulative Remedies.** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.11. **Notices.** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility, or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

Gelatoro Franchising, LLC
7095 Hollywood Boulevard
Suite 1008
Hollywood, California 90028
Attention: President

With a copy to (which shall not constitute notice):

Barry Kurtz, Esq.
Lewitt, Hackman, Shapiro, Marshall and Harlan
16633 Ventura Boulevard, 11th Floor
Encino, California 91436
Fax: (818) 981-4764

Notices to Candidate:

____
____
____
____
Attention: ______________

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.

3.12. **Governing 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 law of the State of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of the State of California, and if the Stick House Shop is to be located outside of California and such provision would be enforceable under the laws of the state in which the Stick House Shop is to be located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 3.12 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the State of California to which it would not otherwise be subject.

3.13 **Venue**. Venue for purposes of any legal proceedings brought in connection with or arising out of this Agreement shall be conclusively presumed to be in the State of California, County of Los Angeles. Candidate hereby submits to the exclusive jurisdiction of the Superior Court of the State of California, County of Los Angeles, and of the United States District Court in and for the Central District of the State of California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3.14. **Counterparts and Electronic Transmission; Electronic Signatures**. -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.- Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date.

FRANCHISOR:

GELATORO FRANCHISING, LLC,
A California limited liability company

By: ______________________

Name: ______________________

Title: ______________________

CANDIDATE:

By: ______________________

Name: ______________________

Title: ______________________

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E
NON DISCLOSURE AND CONFIDENTIALITY AGREEMENT FOR EMPLOYEES OF FRANCHISEE

GELATORO FRANCHISING, LLC
NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

THIS NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this ___ day of , 20___ (the "**Effective Date**"), by and between ______________________________ ("**Franchisee**"), on the one hand, and ______________________________ ("**Recipient**"), on the other hand, with reference to the following facts:

A. Stick House Company srl, an Italian limited liability company ("**Parent Company**"), has developed the "**Stickhouse System**" for the establishment and operation of retail shops (the "**Stickhouse Shops**") that offer handmade ice cream on a stick, cold and hot beverages, sweets, chocolates, salad delicacies and ancillary related products for on-premises and off-premises consumption under the trade name and service mark "**Stickhouse**" and other related trademarks, service marks, logos and commercial symbols (the "**Stickhouse Marks**"). Parent Company has issued a license to Stick House USA LLC, a Delaware limited liability company ("**Master Franchisor**"), to use and sublicense the use of the Stickhouse System and the Stickhouse Marks for the sale of franchised Stickhouse Shops within the United States.

B. On May 1, 2015, Master Franchisor and Gelatoro, LLC, a California limited liability company ("**Operating Company**") entered into a Subfranchise Agreement under which Master Franchisor granted Operating Company (i) the right and obligation to develop, own and operate Stickhouse Shops in the State of California; and (ii) the right and obligation to grant subfranchises to qualified third parties to develop, own and operate Stickhouse Shops in the State of California under individual Franchise Agreements and Area Development Agreements with Operating Company (the "**Subfranchising Rights**"). –On February 15, 2016, Operating Company assigned the Subfranchising Rights to Gelatoro Franchising, LLC, a California limited liability company ("**Franchisor**"), with the consent of Master Franchisor.

C. The Stickhouse System includes, without limitation, the operations and training manuals and any other written directives related to the Stickhouse System (the "**Stickhouse Manuals**"), operating methods and business practices related to Stickhouse Shops, and the relationship between Franchisor and its area developers and franchisees, including the various types of Stickhouse Shops, interior and exterior Stickhouse Shop design, other items of trade dress, specifications of equipment, fixtures, and uniforms, defined product offerings, recipes and preparation methods, specified pricing and promotions, standard operating and administrative procedures, restrictions on ownership, management and technical training programs, and marketing and public relations programs, all as Parent Company, Master Franchisor, Operating Company, and/or Franchisor may modify the same from time to time (collectively, the "**Confidential Information**"), all of which may be disclosed to Recipient by Franchisee.

D. Parent Company, Master Franchisor, Operating Company, and Franchisor have and continue to protect the confidentiality of the Confidential Information by, among other things, (i) not revealing the confidential contents of the Confidential Information to unauthorized parties, (ii) requiring Stickhouse franchisees to acknowledge and agree in writing that the Confidential Information is confidential, (iii) requiring Stickhouse franchisees to agree in writing to maintain the confidentiality of the Confidential Information, (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties, and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration and termination of their Franchise Agreements.

E. Franchisor and Franchisee have entered into a Franchise Agreement under which Franchisor has granted Franchisee the right to own and operate a Stick House Shop (the "**Stick House Shop**") and to use the

Stick House System, the Stick House Marks, the Manuals, and the Confidential Information in the operation of the Stick House Shop.

E. Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from all supervisorial and managerial personnel employed by Franchisee and each independent contractor engaged by Franchisee who may have access to the Confidential Information and who may be the recipient of the disclosure of the Confidential Information to maintain the confidentiality of the Confidential Information, to obtain the written agreement from all supervisorial and managerial personnel employed by Franchisee and each independent contractor to not use the Confidential Information other than in the course of his or her employment or engagement by Franchisee and to not disclose any of the Confidential Information to any unauthorized parties during the period of time that he or she is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends.

NOW, THEREFORE, IT IS AGREED:

1. **ACKNOWLEDGMENTS OF RECIPIENT.**

1.1 **No Prior Experience, Information or Knowledge**. Prior to his or her employment or engagement by Franchisee, Recipient had no experience, information or knowledge whatsoever about the retail ice cream or frozen dessert business or a Stickhouse Shop. Recipient's knowledge of the Confidential Information was obtained only from Franchisee following the Effective Date and only in the course of Recipient's employment or engagement by Franchisee.

1.2 **Confidential Information**. The Confidential Information includes all of the items included elsewhere in this Agreement and, in addition, without limitation, all tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, styles, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, the Stick House System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Recipient. Confidential Information does not include any information that was in the lawful and unrestricted possession of Recipient prior to its disclosure by Franchisee to Recipient; is or becomes generally available to the public by acts other than those of Recipient after receiving it; has been received lawfully and in good faith by Recipient from a third party who did not derive it from Franchisor, Franchisee or Recipient; or is shown by acceptable evidence to have been independently developed by Recipient.

1.3 **Independent Value**. The Confidential Information (i) is not generally known by the public or parties other than Parent Company, Master Franchisor, Operating Company, Franchisor, its affiliates, its franchisees and Franchisee, (ii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee, and (iii) is the subject of extensive efforts by Parent Company, Master Franchisor, Operating Company, and Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information.

1.4 **Valuable and Proprietary**. The Confidential Information has been developed by Parent Company, Master Franchisor, Operating Company, and Franchisor and their affiliates by the investment of time, skill, effort and money and is widely recognized by the public, of substantial value, and is proprietary, confidential and constitutes trade secrets of Parent Company, Master Franchisor, Operating Company, and Franchisor and their affiliates. -

2. **COVENANTS OF RECIPIENT**.

Recipient agrees that so long as Recipient is employed or engaged by Franchisee and forever after his or her employment or engagement by Franchisee ends:

2.1 **Maintain Confidentiality**. Recipient will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than Franchisee or other personnel employed by Franchisee or independent contractors engaged by Franchisee while a supervisorial or managerial employee or independent contractor of Franchisee and will then do so only to the degree necessary to carry out Recipient's duties as a supervisorial or managerial employee or independent contractor of Franchisee. -

2.2 **No Reproduction or Use**. Recipient will not directly or indirectly reproduce or copy any Confidential Information and will make no use of any Confidential Information for any purpose whatsoever except as may be required while Recipient is employed or engaged by Franchisee and will then do so only in accordance with the provisions of this Agreement and only to the degree necessary to carry out Recipient's duties as a supervisorial or managerial employee or independent contractor of Franchisee.

2.3 **Restrictions**. Recipient specifically acknowledges and agrees Recipient may receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Stick House System, which are unique and proprietary to Parent Company, Master Franchisor, Operating Company, and/or Franchisor, derive independent economic value from not being generally known to the public and are the subject of efforts by Parent Company, Master Franchisor, Operating Company, and Franchisor and that are reasonable under the circumstances to maintain their secrecy. Recipient therefore covenants that while employed or engaged by Franchisee, Recipient shall not, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any person, or legal entity (i) divert or attempt to divert any present or prospective Stick House client to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Stick House Marks and the Stick House System, (ii) employ or seek to employ any person who is or has been within the previous thirty (30) days employed by Franchisor, Franchisee or an affiliate of Franchisor or Franchisee as a supervisorial or managerial employee, or otherwise directly or indirectly induce the person to leave his or her employment, or (iii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any restaurant business that prepares, offers and sells freshly prepared hot dogs, sausages, fresh tropical fruit drinks and related food and beverage products as its primary menu items and any business that looks like, copies, imitates, or operates with similar trade dress or décor to the Stick House Shop.

2.4 **Third Party Beneficiary**. Franchisor is, and shall be and remain, a third party beneficiary of this Agreement and will have the independent right to enforce the terms of this Agreement.

3. **GENERAL TERMS**.

3.1 **Injunction**. Recipient recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the Stick House System and agrees that Recipient's noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information by Recipient will cause irreparable damage to Parent Company, Master Franchisor and Franchisor and their licensees and franchisees. Recipient therefore agrees that if Recipient should engage in any unauthorized or improper use or disclosure of the Confidential Information, Parent Company, Master Franchisor, Operating Company, and Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Confidential Information in addition to any other remedies prescribed by law. Due to the irreparable damage that would result to Parent Company, Master Franchisor, Operating Company, and Franchisor and Franchisee from any violation of this Agreement, Recipient acknowledges and agrees that any claim Recipient believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Recipient's obligations under this Agreement and will not entitle Recipient to violate or justify any violation of the provisions of this Agreement.

3.2 **Heirs and Successors; Entire Agreement**. This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Recipient that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties. -

3.3 **No Right to Use Stick House Marks or Stick House System**.- This Agreement is not a license of any sort, and does not grant Recipient any right to use or to license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3.4 **Waiver and Validity**. Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.5 **Headings and Gender**. The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement. As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.6 **Attorneys' Fees**. If Parent Company, Master Franchisor, Operating Company, or Franchisor become a party to any legal proceedings concerning this Agreement by reason of any act or omission of Recipient, Recipient shall be liable to Parent Company, Master Franchisor, Operating Company, and Franchisor for the reasonable attorneys' fees and court costs incurred by Parent Company, Master Franchisor, Operating Company, and Franchisor in the legal proceedings. If any party to this Agreement commences any legal proceeding against another party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees and costs of suit.

3.7 **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law. -

3.8 **Notices**. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties under this Agreement shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by fax or email (with a confirmation copy sent by regular United States mail), or three (3) days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows: -

Any notice or demand to Franchisee shall be given to:

____
____
____
Fax: ________________

With a copy to:

Gelatoro Franchising, LLC
7095 Hollywood Boulevard
Suite 1008
Hollywood, California 90028
Attention: President

Any notice or demand to Recipient shall be given to:

____
____
____
Fax: ________________

Any 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.

3.9 **Governing Law and Venue**. This Agreement shall be interpreted and construed under the laws of the State of California. In the event of any conflict of law, the law of the State of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of the State of California, and if the Stick House Shop is located outside of California and such provision would be enforceable under the laws of the state in which the Stick House Shop is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 3.9 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the State of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Agreement shall be conclusively presumed to be in the State of California, County of Los Angeles. Franchisee hereby submits to the exclusive jurisdiction of the Superior Court of the State of California, County of Los Angeles, and of the United States District Court in and for the Central District of the State of California., and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3.10 **Counterparts and Electronic Transmission; Electronic Signatures**. -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.– Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date.

FRANCHISEE:	**RECIPIENT:**
______________________________,	
A ____________________________	
By: ___________________________	______________________________
Name: _________________________	
Title: __________________________	

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT F
GENERAL RELEASE

GELATORO FRANCHISING, LLC
GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this ~~"~~"**Release Agreement**~~")~~") is made ~~and entered into as of~~ ____________ on __________________ (the ~~"~~"**Effective Date**~~"),~~"), by and ~~among~~between **GELATORO FRANCHISING, LLC**, a California limited liability company ("**Franchisor**"), on the one hand, and ______________________, ~~a~~ ______________________ ("**Franchisee**"), and ______________________ ~~("**Owner**"),~~any additional parties undersigned below, on the other hand, who below are individually referred to as a "**Party**" and collectively referred to ~~in this Release Agreement~~ as the "~~**Releasing**~~ **Parties**", with reference to the following facts:

_______A. Franchisor and Franchisee are parties to ~~that certain~~a Franchise Agreement and related ancillary agreements dated ______________ ~~(~~ ____________ (collectively, the "**Franchise Agreement**") ~~for~~ pursuant to which Franchisor granted Franchisee a license (the "**License**") to use the service mark and trade name "**Stick House** ~~**Shop**~~ ~~(~~" (the "**Marks**") and the "**Stick House** ~~**Shop**~~**System**" (the "**System**") in connection with the operation of a **Stick House** franchised unit (the "**Franchised Unit**") located at ______________________ (the "**Franchised Location**").

_______B. Franchisee desires to enter into a ______________________.

_______C. This Release Agreement has been requested at a juncture in the relationship of the ~~parties~~Parties where Franchisor is considering either a change or an expansion of the relationship between the ~~parties~~Parties and/or their affiliates. -Franchisor is unwilling to make the anticipated change or expansion in the relationship of the ~~parties~~Parties unless it is certain that it is proceeding with a "clean slate" and that ~~there are~~"**Releasing Parties**" (as defined below) possess no outstanding- grievances or "**Claims**" (as defined below) against it~~.~~ as of the Effective Date. Releasing Parties, therefore, ~~gives~~give this Release Agreement as consideration for receiving the agreement of Franchisor to ~~an~~the anticipated change or expansion of the relationship between the ~~parties. Releasing~~ Parties ~~acknowledges~~, and acknowledge and agree that this Release Agreement is intended to wipe the slate clean as of the Effective Date.

NOW, THEREFORE, ~~**THE PARTIES AGREE AS FOLLOWS**~~**IT IS AGREED**:

~~1. **DEFINITIONS.**~~

1. **Definitions.** As used ~~herein~~in this Release Agreement, the following capitalized terms have the meanings ascribed to them. Other capitalized terms used but not defined in this Release Agreement shall have the meanings ascribed to such terms in the Franchise Agreement:

1.1 "**Claims**" means all actual and alleged claims, damages, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind ~~or nature~~, nature, and/or description whatsoever, whether known or unknown, matured or unmatured, accrued or unaccrued, suspected or unsuspected, contingent or non-contingent, liquidated or unliquidated, choate or inchoate, and whether or not asserted, threatened, alleged, or litigated, at law, equity, or otherwise.

1.2 "**Constituents**" means past, present and future affiliates, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys, and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing, as applicable.

1.3 "**Excluded Matters**" means Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Franchise ~~Documents on~~Agreement and ~~after the date of~~ this Release Agreement ~~(this~~on and after the Effective Date. This Release Agreement is not intended to terminate or amend the Franchise Agreement~~; this Release Agreement is intended to relieve Franchisor and its Constituents of responsibility for its or their failure, if any, to have timely performed or completed obligations which by the terms of the Franchise Agreement were to have been performed or completed prior to the Effective Date).~~.

1.4 "**Franchisor Released Parties**" means each, any, and all of Franchisor~~, Stick House Company srl, an Italian limited liability company, Stick House USA LLC, a Delaware limited liability company, Gelatoro, LLC, a California limited liability company, and each of their~~ and each of its Constituents.

1.5 "**Losses**" means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys' fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated, and~~,~~ all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration.

~~2. GENERAL RELEASE AGREEMENT.~~

1.6 "**Releasing Parties**~~, for~~" means each, any, and all of Franchisee and any additional parties undersigned below. Releasing Parties make and undertake all representations, warranties, acknowledgments, agreements, commitments, and obligations in this Release Agreement on behalf of themselves and each of their Constituents~~,~~.

2. **General Release Agreement**. Releasing Parties hereby release and forever discharge ~~the~~ Franchisor Released Parties from any and all Claims~~, whether known or unknown,~~ based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, ~~except for the Excluded Matters and obligations under this Release Agreement.~~including, without limitation any and all Claims which relate to the Franchise Agreement, the Franchised Unit, the System, the License, the Marks, and the Franchised Location, or to any other agreement entered into prior to the Effective Date between Franchisor Released Parties, on the one hand, and Releasing Parties, on the other hand, except for the Excluded Matters.

~~3. UNKNOWN CLAIMS.~~

3. **Waiver of Known and Unknown Claims.** Releasing Parties acknowledge ~~that this general release extends to~~and agree that among the wide and comprehensive range of Claims being waived, released, and discharged by this Release Agreement, they are waiving, releasing, and discharging unknown and unsuspected Claims which ~~Releasing Parties do not know~~ , if known or ~~suspect~~ suspected by Releasing Parties to exist in their favor ~~of Releasing Parties~~ at the time of executing this Release Agreement, ~~which if known by Releasing Parties~~ may have materially affected ~~their~~ Releasing Parties' decision to enter into this Release Agreement. It is understood by Releasing Parties that, after the Effective Date, the facts under which this Release Agreement is ~~given~~entered into may ~~hereafter~~ turn out to be other than or different from the facts ~~known~~Releasing Parties knew or believed to be true. on the Effective Date. Releasing Parties, therefore, expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects final and effective and not subject to termination or rescission by any such difference in facts.

~~4. REPRESENTATIONS AND WARRANTIES.~~

4. **Waiver of Section 1542 of the California Civil Code**. Releasing Parties acknowledge and agree that they are familiar with Section 1542 of the California Civil Code, which reads 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.

With respect to those Claims being released pursuant to this Release Agreement, Releasing Parties acknowledge and agree that they are releasing unknown Claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this Article 4, Releasing Parties shall be considered to be creditors of Franchisor Released Parties.

5. **Representations and Warranties.** Releasing Parties hereby represent and warrant ~~to the Franchisor~~ that, in entering into this Release Agreement, ~~they~~ Releasing Parties: (i) are doing so freely and voluntarily, either upon the advice of counsel and business ~~advisor~~advisors of ~~their~~Releasing Parties' own ~~choice (or declined to do so~~choosing, or without such advice because Releasing Parties, free from coercion, duress or fraud~~);~~, declined to obtain such advice; (ii) have read and fully understand the terms and scope of this Release Agreement; (iii) ~~realize~~understand that ~~it~~this Release Agreement is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) have not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims ~~which are~~ released by this Release Agreement now or in the future, that ~~they~~Releasing Parties are aware of no third party who contends or claims otherwise, and that ~~they~~Releasing Parties shall not purport to assign, transfer, or convey any such ~~claim hereafter~~Claim after the Effective Date.

~~5. COVENANTS NOT TO SUE.~~

6. **Covenants Not to Sue.** Releasing Parties hereby irrevocably covenant ~~to refrain from~~that they will not, directly or indirectly~~, asserting any Claim or demand, or commencing, initiating or causing~~: (i) commence, initiate, or cause to be commenced~~,~~ or initiated any proceeding, claim, or demand of any kind against ~~any of the~~ Franchisor Released Parties based upon any ~~matter~~Claims released ~~hereby~~under this Release Agreement; or (ii) assist or encourage any person or entity to investigate, inquire into, commence, initiate, or cause to be commenced or initiated any proceeding, claim, or demand of any kind against Franchisor Released Parties based upon any Claims released under this Release Agreement.

~~6. **INDEMNITY**.~~

7. **Indemnification.** Without in any way limiting any of the rights and remedies otherwise available to ~~the~~ Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless ~~each~~ Franchisor Released ~~Party~~Parties from and against all Claims whether or not involving third-party Claims, ~~arising~~which arise or result directly or indirectly from or in connection with ~~(i)~~, or which relate in any manner whatsoever to:

(i) the assertion by or on behalf of Releasing Parties ~~or their Constituents~~ of any Claim or other matter released pursuant to this Release Agreement~~, (ii)~~;

(ii) the assertion by any third party of any Claim or demand against ~~any~~ Franchisor Released ~~Party~~Parties which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement;~~and (iii) any breach of representations, warranties or covenants hereunder by Releasing Parties or its Constituents.~~

~~7. **GENERAL**~~

(iii) any breach of the representations, warranties or covenants made under this Release Agreement by Releasing Parties; or

(iv) the Franchise Agreement, the Franchised Unit, the Franchised Location, and/or any and all claims of creditors, customers, vendors, suppliers or invitees of the Franchised Unit, or other third parties, for obligations incurred and/or acts or omissions to act by Franchisee, both prior to and following the Effective Date.

Franchisor shall notify Releasing Parties of the existence of any Claim to which Releasing Parties' indemnification obligations would apply, and shall give Releasing Parties a reasonable opportunity, not to exceed thirty (30) days, to defend such Claim at Releasing Parties' own expense, with counsel of Releasing Parties' own selection. Franchisor shall at all times have the right to fully participate in the defense of any such Claim with counsel of its own selection at its own expense. If Releasing Parties shall, within a reasonable time after notice of such a Claim, not to exceed thirty (30) days, fail to take adequate steps to defend the Claim, Franchisor shall have the right, but not the obligation, to undertake the defense (with counsel of their own selection) of and/or to compromise or settle (exercising reasonable business judgment), the Claim on behalf, for the account, and at the risk, of Franchisee. If the Claim is one which cannot by its nature be defended solely by Releasing Parties, then Franchisor shall make available all information and assistance which Releasing Parties may reasonably request.

8. **General Provisions.**

~~7.1~~8.1 **Amendment.** This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the ~~parties hereto.~~ Parties.

~~7.2~~8.2 **Entire Agreement.** This Release Agreement, together with the agreements referenced ~~herein~~in this Release Agreement, constitute the entire understanding between and among the ~~parties hereto~~Parties with respect to the subject matter ~~hereof.~~ of this Release Agreement and supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter of this Release Agreement.

~~7.3~~8.3 **Counterparts and Electronic Transmission; Electronic Signatures.** This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original~~, but~~ and all of which together shall ~~constitute~~ be deemed to be one and the same instrument. ~~Signatures~~Copies of this Release Agreement with signatures that have been transmitted ~~electronically~~by email or by facsimile ~~will~~shall constitute and be deemed original ~~signatures. Electronic~~ copies of this Release Agreement ~~shall constitute and be deemed an original copy of this Release Agreement~~ for all purposes, provided that ~~such electronic~~ the copies are fully executed, dated and identical in form to the original hard copy version of this Release Agreement. In addition, this Release Agreement may be signed electronically by the Parties and electronic signatures appearing on this Release Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Release Agreement.

~~7.4~~8.4 **Heirs, Successors and Assigns.** This Release Agreement shall be binding upon and inure to the benefit of the ~~parties to this Release Agreement~~Parties and their respective heirs, successors and permitted assigns. -In addition, each of Franchisor Released Parties that is not a Party shall be a third party beneficiary of this Release Agreement, with the right to enforce this Release Agreement for his, her, or its benefit, whether acting alone or in combination with any other Franchisor Released Party.

~~7.5~~8.5 **Interpretation.** The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the ~~parties hereto~~Parties, and shall have no applicability in construing this Release Agreement or ~~the~~any of its terms ~~of this Release Agreement~~.

~~7.6~~8.6 **Severability and Validity.** Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions ~~hereof~~of this Release Agreement or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

~~Each of the parties acknowledges that it had the right~~

~~7.7~~ **Governing Law and** ~~opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Release Agreement, and each of the parties represents that it has either done so or that it has voluntarily declined to do so, free from coercion, duress or fraud.~~

~~7.8~~ **Venue.** This Release Agreement ~~supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. The Release Agreement may not be amended except in a~~

~~writing signed by all of the parties. No representations, warranties, agreements or covenants have been made with respect to this Release Agreement, and in executing this Release Agreement, none of the parties are relying upon any representation, warranty, agreement or covenant not set forth herein.~~

~~7.9~~8.7 ~~This Agreement~~ shall in all respects be interpreted, enforced and ~~construed under~~governed by the internal laws of the State of California. In the event of any conflict of law, the law ~~of the State~~ of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of ~~the State of~~ California, and if the ~~Stick House Shop~~Franchised Unit is located outside of California and such provision would be enforceable under the laws of the state in which the ~~Stick House Shop~~Franchised Unit is located, then such provision shall be interpreted and construed under the laws of that state. ~~Nothing in this Section 7.9 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the State of California to which it would not otherwise be subject. Venue~~The Parties agree that venue for purposes of any legal proceedings brought in connection with or arising out of this Release Agreement shall be conclusively presumed to be in the State of California, County of Los Angeles. ~~Franchisee hereby submits to the exclusive jurisdiction of the Superior Court of the State of California, County of Los Angeles, and of the United States District Court in and for the Central District of the State of California, and the parties~~Releasing Parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this ~~provision~~Section 8.7 and submit to the jurisdiction of the Superior Court of California, County of Los Angeles, and of the United States District Court, Central District of California.

8.8 **Authority of Franchisor**. Franchisor represents and warrants that (i) Franchisor has the power and authority to enter into this Release Agreement and to perform its obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individual who executes this Release Agreement on Franchisor's behalf is duly authorized to do so without the approval or consent of any other person or entity.

8.9 **Authority of Releasing Parties**. Releasing Parties represent and warrant that (i) Releasing Parties have the power and authority to enter into this Release Agreement and to perform their obligations under this Release Agreement without the approval or consent of any other person or entity, and (ii) the individuals who execute this Release Agreement on Releasing Parties' behalves are duly authorized to do so without the approval or consent of any other person or entity.

8.10 **No Waiver**. No delay, waiver, omission, or forbearance on the part of any Party to exercise any right, option, duty, or power arising out of any breach or default by any other Party of any of the terms, provisions, or covenants of this Release Agreement, and no custom or practice by the Parties at variance with the terms of this Release Agreement, shall constitute a waiver by any Party to enforce any such right, option, or power as against the other Parties, or as to a subsequent breach or default by the other Parties.

8.11 **Attorneys' Fees**. If any legal action is brought to enforce the terms of this Release Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that Party may be entitled.

8.12 **Incorporation of Recitals**. The Recitals set forth in paragraphs A through C of this Release Agreement are true and correct and are incorporated into this Release Agreement as part of this Release Agreement.

(Signature Page Follows)

IN WITNESS WHEREOF, the ~~parties~~undersigned have executed this Release Agreement as of the Effective Date.

~~**FRANCHISOR:**~~

FRANCHISOR:

GELATORO FRANCHISING, LLC,
A California limited liability company

~~By:~~

By: ______________________

Name: ______________________

Title: ______________________

~~**OWNER:**~~

____

______________________, ~~an individual~~

RELEASING PARTIES:

FRANCHISEE:

____

~~A~~ ______________________

~~By:~~ ______________________

______________________,

A ______________________

By: ______________________

Name: ______________________

Title: ______________________

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G
STATE SPECIFIC ADDENDA

GELATORO FRANCHISING, LLC

CALIFORNIA
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise.

~~California Business and Professions Code 20034 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.~~

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.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF OUR WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

1. The following language is added to the end of Item 3 of the ~~disclosure document~~Disclosure Document

> Neither we, nor the Operating Company, nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark 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, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

~~2. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, Cal. Bus. & Prof. Code Section 31000 et seq., and the California Franchise Relations Act, Cal. Bus. & Prof. Code Section 20000 et seq. If the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

~~3.~~ 2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

You must sign a general release of claims if you renew or transfer your franchise.- California Corporations Code ~~§~~Section 31512 ~~voids~~provides that any condition, stipulation or provision purporting to bind any person acquiring a ~~waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516).~~ franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

California Business and Professions Code ~~§20010 voids a waiver of your rights under the Franchise Relations Act, Business and Professions Code §§20034~~ Sections 20000 through 20043~~).~~

~~4. The Agreements~~ provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

~~5.~~ The Agreements contain a covenant not to compete which extends beyond the termination of the franchise. -This provision may not be enforceable under California law but we will enforce it to the extent enforceable.

~~6. The Agreements contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.~~

~~OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF OUR WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT http://www.dba.ca.gov.~~

~~Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20050.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.~~

3. California local county health departments inspect retail food facilities to ensure compliance with safe food handling practices and adequacy of kitchen facilities.

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT H
FRANCHISE COMPLIANCE QUESTIONNAIRE

GELATORO FRANCHISING, LLC

FRANCHISE COMPLIANCE ~~CERTIFICATE~~QUESTIONNAIRE

The undersigned Franchisee desires to enter into a Franchise Agreement with GELATORO FRANCHISING, LLC, a California limited liability company ("**Franchisor**"). Franchisor requires Franchisee to complete this Questionnaire in order to enable Franchisor to confirm that Franchisor and its employees and representatives have fully complied with all applicable franchise registration and disclosure laws.

1. Full name of Franchisee:

____

2. Franchised Location:

____

____

3. Franchisee is: (Check applicable box)

[ ] An individual,

[ ] A corporation,

[ ] A general partnership,

[ ] A limited partnership,

[ ] A limited liability company

4. If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of Franchisee: (Check applicable box)

[ ] Officer (insert title):______________________

[ ] General Partner: ______________________

[ ] Other (please explain):______________________

5. Did Franchisee receive a Franchise Disclosure Document from Franchisor? [ ] Yes [ ] No

6. On what date was the Franchise Disclosure Document received, and by whom?

Recipient:______________________

Date: –______________________

7. Below, please indicate the contracts proposed to be executed by Franchisee in connection with execution of the Franchise Agreement (the "**Agreements**") and the date that the final form of each of the Agreements was delivered to Franchisee:

	Agreement	Date Received
[ ]	Franchise Agreement	____________
[ ]	Area Development Agreement	____________
[ ]	____________________________	____________

8. Name of salesperson(s) handling this sale for Franchisor:

____

9. Were any oral or written statements made to Franchisee by Franchisor, the salesperson(s) listed above, or any other representatives of Franchisor concerning the actual sales, profits or earnings of any franchised or company-owned unit(s), or potential sales, profits or earnings that could be anticipated at any location? -[ ] Yes [ ] No.

If yes, please explain in detail (attach additional sheet if necessary) and if none, write "none":

____

____

____

____

10. Did Franchisee carefully review and understand the Franchise Disclosure Document and the Franchise Agreement, as applicable, and the other Agreements? +[ ] Yes [-] No

If no, please explain:

____

____

____

11. Did Franchisee ask Franchisor any questions concerning the Franchise Disclosure Document or Agreements that were not satisfactorily answered? [ ] Yes [ ] No

If yes, please explain:

____

____

12. Did the salesperson(s) listed above, or any other employee or representative of Franchisor, make any statement to Franchisee which is inconsistent with the information described in the Franchise Disclosure Document?

[ ] Yes [ ] No

If yes, please explain:

13. Did any employee or other person on Franchisor's behalf make any statement or promise about Franchisor's affiliated companies other than the information contained in the Franchise Disclosure Document?

[ ] Yes [ ] No

If yes, please explain:

14. Did Franchisee contact other franchisees of Franchisor to discuss Franchisee's possible execution of the Franchise Agreement? [ ] Yes [ ] No

15. If your answer to question 14 was yes, please identify these franchisees (attach extra sheets if necessary):

16. Did Franchisee employ an attorney to render advice to Franchisee concerning the execution of the Franchise Agreement? -[ ] Yes [ ] No.

If yes, please insert the name address and telephone number of such attorney:

17. Did Franchisee consult with an accountant or other financial advisor in connection with the execution of the Franchise Agreement?

[ ] Yes [ ] No.

If yes, please insert the name address and telephone number of such accountant or financial advisor:

[ ] Accountant

[ ] Other (please describe) ______________________________

____

____

18. Has Franchisee, directly or through one or more affiliated business entities, previously owned and/or operated a business similar to a Stick House Shop [ ] Yes [ ] No; if "yes", how many, where and for how long~~?~~______________________________?

______________________________________.

19. Has Franchisee, directly or through one or more affiliated business entities, previously owned and/or operated a Stick House Shop? [ ] Yes [ ] No; if "yes", for how long~~?~~______?______.

20. If Franchisee has checked "yes" to question 19, Franchisee represents and agrees that Franchisee is entering into the Franchise Agreement based on Franchisee's own knowledge of, and experience with the Stick House System, and not in reliance upon any statements or information made or provided, or alleged to have been made or provided, by Franchisor or its affiliates, or any of its or their officers, directors, agents, employees or representatives.

AGREED:______________
Franchisee's Initials

Franchisee understands that Franchisor is acting in reliance on the truthfulness and completeness of Franchisee's responses to the questions above in entering into the Franchise Agreement with Franchisee. FRANCHISEE ACKNOWLEDGES AND AGREES THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS QUESTIONNAIRE SHALL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION, AND FRANCHISEE HEREBY WAIVES, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS QUESTIONNAIRE.

FRANCHISEE:	**FRANCHISEE:**
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
Date: ______________________	Date: ______________________

~~FRANCHISEE:~~

~~By:~~ ______________________________

~~Name:~~ ____________________________

~~Title:~~ _____________________________

~~Date:~~ _____________________________

~~FRANCHISEE:~~

~~By:~~ ______________________________

~~Name:~~ ____________________________

~~Title:~~ _____________________________

~~Date:~~ _____________________________

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I
FINANCIAL STATEMENTS

GELATORO FRANCHISING, LLC

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

December 31, 2016

GELATORO FRANCHISING, LLC

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WECHSLER ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
9010 CORBIN AVE. SUITE 4
NORTHRIDGE, CA 91324
(818) 718-1040 Fax (818) 718-1041
www.wac4tax.com

Independent Auditor's Report

The Board of Directors
Gelatoro Franchising, LLC

We have audited the accompanying financial statements of Gelatoro Franchising, LLC (a California LLC), which comprise the balance sheet as of December 31, 2016, and the related combined statement of income and members' equity and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Gelatoro Franchising, LLC as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Wechsler Accountancy Corporation

Wechsler Accountancy Corporation

Northridge, California
March 30, 2017

GELATORO FRANCHISING, LLC
BALANCE SHEET
AS OF DECEMBER 31, 2016

ASSETS				
Current Assets				
Cash in Bank				
Business Checking Account			$	70,000
Other Current Assets				
Due From Affiliates *(Note 5)*	$	201,187		
Due From Franchisees		2,057		
Total Other Current Assets				203,244
TOTAL ASSETS			**$**	**273,244**
LIABILITIES & MEMBERS' EQUITY				
Current Liabilities				
Accounts Payable	$	4,044		
Due to Stickhouse USA, LLC *(Note 6)*		121,076		
Total Liabilities			$	125,120
Equity				
Members' Equity				148,124
TOTAL LIABILITIES & EQUITY			**$**	**273,244**

See Independent Auditor's Report and Notes to the Financial Statements.

GELATORO FRANCHISING, LLC
STATEMENT OF INCOME AND MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

INCOME		
Franchise Fees *(Note 2)*	455,000	
Royalty Fees *(Note 3)*	8,401	
TOTAL INCOME		$ 463,401
EXPENSES		
Bank Charges	$ 3	
Consulting Fees *(Note 4)*	95,000	
Franchise Fees *(Note 2)*	143,316	
LLC Taxes and Fees *(Note 1)*	1,700	
Master Franchise Fee *(Note 2)*	120,179	
Professional Fees		
Accounting	4,100	
Legal	12,289	
Royalty Fees *(Note 3)*	3,150	
TOTAL EXPENSES		379,737
NET INCOME		**83,664**
Members' Equity - Beginning		65,000
Member Distributions		(540)
Members' Equity - Ending		**$ 148,124**

GELATORO FRANCHISING, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOW FROM OPERATING ACTIVITIES		
Net Income		$ 83,664
CASH FLOW FROM INVESTING ACTIVITIES		
Amounts Due from Affiliates	$ (201,187)	
Amounts Due from Franchisees	(2,057)	
Net Cash Provided (Used) by Investing Activities		(203,244)
CASH FLOW FROM FINANCING ACTIVITIES		
Amounts Due to Stickhouse USA, LLC	$ 121,076	
Increase in Accounts Payable	4,044	
Member Distributions	(540)	
Net Cash Provided (Used) by Financing Activities		124,580
NET INCREASE IN CASH		5,000
CASH BALANCE - BEGINNING		65,000
CASH BALANCE - ENDING		**$ 70,000**

See Independent Auditor's Report and Notes to the Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Under the accrual method, revenue is recognized when earned, rather than when received, and expenses are recognized when incurred, rather than when paid.

Nature of Operations

The Company is licensed by Stickhouse USA, LLC as a master franchisor in the state of California for the sale of Stickhouse Gelato franchises. See Note 2 below.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Balance Sheet Classification

A one-year time period for the anticipated receipt of amounts receivable or payment of amounts due is used as the basis for classifying assets and liabilities as current.

Income Taxes

The company operates as a California LLC. LLC net income is passed through to the individual members and is taxed to the members on their own tax returns. As such, these financial statements only reflect the annual LLC fees computed based upon the Company's gross receipts.

Evaluation of Subsequent Events

The Company has evaluated subsequent events through March 30, 2017, which is the date the financial statements were available to be issued.

NOTE 2 – FRANCHISE FEES

The Company negotiated a master franchise fee agreement with Stickhouse USA, LLC allowing for the Company to sell Stickhouse Gelato franchises throughout the state of California. The agreed upon master franchise fee was $120,179.

During 2016, the Company sold franchises for 19 locations for a total of $455,000. Typical franchise fees charged are as follows:

• 1 location – corner	$ 2,500
• 1 location – stick cart	$ 7,500
• 1 location – stick truck	$25,000
• 1 location – full shop, sales shop, or kiosk	$40,000

At its discretion, the Company may offer multiple location discounts to franchisees, and did so in 2016.

Under the terms of its master franchise fee agreement, the Company is also obligated to pay 1/3 of its franchise fee income to Stickhouse USA, LLC. During 2016, the Company paid a total of $143,316 to Stickhouse USA, LLC, representing 1/3 of all franchise fee income except $25,000 which, by specific arrangement between the parties, was not subject to this underlying agreement.

NOTE 3 – ROYALTY FEES

The Company is entitled to receive royalties from its franchisees of 8% on net sales (gross sales less sales tax). During 2016, royalty fees generated by the company were $8,401.

Under the terms of its master franchise fee agreement, the Company is also obligated to pay 3/8 of its royalty fee income to Stickhouse USA, LLC. During 2016, the Company paid a total of $3,150 to Stickhouse USA, LLC.

NOTE 4 – CONSULTING FEES

The Company has contracted with an individual franchise consultant to assist in sale of Stickhouse Gelato franchises to franchisees. During 2016, the Company paid this consultant a total of $95,000 for his successful procurement efforts.

NOTE 5 – DUE FROM AFFILIATES

From time to time, the Company may loan money to and borrow money from its affiliated entities. The entities all have common ownership with the Company. No specific repayment terms between and among the entities exist at this time.

NOTE 6 – DUE TO STICKHOUSE USA, LLC

The amount due to Stickhouse USA, LLC relates predominantly to the initial master franchise fee negotiated between the two companies. No specific payment terms between the two companies exist at this time.

WECHSLER ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
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www.wac4tax.com

Independent Auditor's Report

The Board of Directors
Gelatoro Franchising, LLC

We have audited the accompanying balance sheet of Gelatoro Franchising, LLC as of January 15, 2016. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit 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 balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Gelatoro Franchising, LLC as of January 15, 2016, in conformity with accounting principles generally accepted in the United States of America.

Wechsler Accountancy Corporation
Wechsler Accountancy Corporation

Northridge, California
January 18, 2016

GELEATORO FRANCHISING, LLC
BALANCE SHEET
AS OF JANUARY 15, 2016

ASSETS		
Current Assets		
Business Checking Account	$ 65,000.00	
TOTAL ASSETS		$ 65,000.00
LIABILITIES & MEMBERS' EQUITY		
Equity		
Members' Equity	$ 65,000.00	
TOTAL LIABILITIES & EQUITY		$ 65,000.00

See Accompanying Independent Auditor's Report.

MARTINI IOSUE & AKPOVI LLP
CERTIFIED PUBLIC ACCOUNTANTS

Stick House USA, LLC

Financial Statements and Independent Auditors' Report

December 31, 2016 and 2015

Stick House USA, LLC
Financial Statements
December 31, 2016 and 2015

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MARTINI IOSUE & AKPOVI LLP | CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members
Stick House USA, LLC
Encino, California

We have audited the accompanying financial statements of Stick House USA, LLC (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, the related statements of operations and members' capital and cash flows for the year ended December 31, 2016 and the period from May 1, 2015 through December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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MARTINI
IOSUE
& AKPOVI LLP
CERTIFIED
PUBLIC
ACCOUNTANTS

Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stick House USA, LLC as of December 31, 2016 and 2015, and the results of its operations and cash flows for the year ended December 2016 and the period from May 1, 2015 through December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

Martini Iosue & Akpovi, LLP

Encino, California
March 27, 2017

Stick House USA, LLC
Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 69,317	$ 28,352
Certificate of deposit	7,520	7,513
Accounts receivable	42,045	120,765
Due from member	2,984	68,063
Total Current Assets	121,866	224,693
Accounts receivable - net of current portion	80,119	-
Total Assets	$ 201,985	$ 224,693
Liabilities and Members' Capital		
Current Liabilities		
Accounts payable and accrued expenses	$ 6,476	$ 4,102
Unearned revenues	107,747	116,035
Total Liabilities	114,223	120,137
Members' Capital	87,762	104,556
Total Liabilities and Members' Capital	$ 201,985	$ 224,693

Stick House USA, LLC
Statements of Operations and Members' Capital
For the Year Ended December 31, 2016 and the Period from May 1, 2015 Through December 31, 2015

	2016	2015
Revenues		
Franchise fee commissions	$ 143,316	$ -
Franchise fees	8,288	4,144
Royalty fees	22,241	2,621
Total Revenues	173,845	6,765
Operating Expenses		
Legal	34,745	15,586
Accounting	22,230	-
Consulting	9,628	8,002
License fees	69,538	2,706
Management fees	52,153	2,030
Bank charges	759	337
License and permit	794	-
Other	-	80
Total Operating Expenses	189,847	28,741
Loss from Operations	(16,002)	(21,976)
Other Income (Expense)		
Interest income	8	6
Interest expense	-	(21)
Net Other Income (Expense)	8	(15)
Net Loss before Limited Liability Company Fees	(15,994)	(21,991)
Limited Liability Company Fees	800	1,600
Net Loss	(16,794)	(23,591)
Members' Capital, Beginning of Year / Period	104,556	126,547
Contributions from Member	-	1,600
Members' Capital, End of Year / Period	$ 87,762	$ 104,556

The Accompanying Notes are an Integral Part of These Financial Statements

Stick House USA, LLC
Statements of Cash Flows
For the Year Ended December 31, 2016 and the Period from May 1, 2015 Through December 31, 2015

	2016	2015
Cash Flows from Operating Activities		
Net loss	$ (16,794)	$ (23,591)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Certificate of deposit	(7)	(6)
Accounts receivable	(1,399)	(120,765)
Due from member	65,079	(66,463)
Accounts payable and accrued expenses	2,374	3,699
Unearned revenues	(8,288)	116,035
Net Cash Provided (Used) by Operating Activities	40,965	(91,091)
Net Increase (Decrease) in Cash and Cash Equivalents	40,965	(91,091)
Cash and Cash Equivalents, Beginning of Year / Period	28,352	119,443
Cash and Cash Equivalents, End of Year / Period	$ 69,317	$ 28,352
Supplemental Cash Flow Information		
Cash Paid for Interest	$ -	$ 21
Cash Paid for Limited Liability Company Fees	$ 800	$ -

Non-Cash Operating and Financing Activities

During the period ended December 31, 2015, a member paid limited liability company fees of $1,600 on behalf of the Company.

Note 1 - Summary of Significant Accounting Policies

Description of Business

Stick House USA, LLC, (the "Company"), a Delaware limited liability company, was formed as a franchisor on March 7, 2014 for the purpose of selling Stick House franchises through subfranchise agreements. The Company is located in Encino, California. Since inception, the Company has sold 1 subfranchise agreement in California from which 3 individual franchised shops and 1 truck became operational as of December 31, 2016.

Under the terms of the subfranchise agreement, a subfranchisor receives an exclusive territory in which to operate Stick House gelato shops or to sell franchise agreements to individual subfranchisees. The subfranchisor pays an initial franchise fee to the Company for the territory rights and upon further sale of franchise agreements by the subfranchisor, pays commissions to the Company as a percentage of initial franchise fees received from subfranchisees. Further, the subfranchisor also pays royalty fees to the Company based on the sales of each subfranchisee's shop within the subfranchisor's territory and on sales of each shop the subfranchisor operates. Stick House franchisees will operate gelato shops using the Company's proprietary fully-automatic equipment that produces gelato-on-a-stick. This equipment utilizes micro-crystallization in order to produce an intensely flavorful ice cream using simple, genuine and all-natural ingredients.

The Company is governed by its Operating Agreement (the "Agreement") effective March 7, 2014. The Agreement includes a provision whereby members have no further obligation to contribute additional amounts of capital to the Company subsequent to the initial capital contribution. In addition, the liability of the members of the Company is limited to the members' total capital contributions.

The Company's members approved a change in the Company's fiscal year end from April 30 to December 31 for financial statement reporting purposes. The change to the fiscal year reporting cycle began May 1, 2015. Accordingly, these financial statements present the results of the Company's operations for the year ended December 31, 2016 and for the period from May 1, 2015 through December 31, 2015.

Use of Estimates

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

Fair Value of Financial Instruments

Unless otherwise specified, management believes the carrying value of financial instruments approximates their fair value.

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition
The Company recognizes revenues as follows:

Area Development
Revenues from area development agreements are generally recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company and are largely dependent upon the number of shops established within the area. Consequently, area development fees are recognized proportionally with the opening of each new shop.

The Company has an area development agreement with a subfranchisor for the opening of 29 shops within the established exclusive territory for a total fee of $120,179. During 2016 and 2015, the subfranchisor opened one and two shops, respectively. Accordingly, the Company recognized area development fee of $8,288 and $4,144, respectively for 2016 and 2015. As of December 31, 2016 and 2015, $107,747 and $116,035, respectively were recorded as unearned revenues related to this agreement.

Franchise Fee Commissions
With respect to the Company's agreement with the subfranchisor, the Company earns a 33% non-refundable commission on initial franchise or area development agreements completed by the subfranchisor. During the year ended December 31, 2016 and for the period from May 1, 2015 through December 31, 2015, the Company recognized franchise fee commissions of $143,316 and $0, respectively, from various franchise and area development agreements that were completed by the subfranchisor.

Royalties
The Company recognizes 3% royalties from franchisee shop sales, in addition to sales from shops the subfranchisor operates. For the year ended December 31, 2016 and for the period from May 1, 2015 through December 31, 2015, royalty income was $22,241 and $2,621, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with maturities of three months or less at the time of purchase to be cash equivalents. The Company also maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss on cash and cash equivalents.

Certificate of Deposit

At December 31, 2016 and 2015, the Company held a certificate of deposit at a bank with a balance of $7,520 and $7,513, respectively. This certificate of deposit carries interest at annual rate of 0.10% and matures in April 2017.

Note 1 - Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable primarily represent amounts due for franchise fees and royalties. Management records an estimate for doubtful accounts when deemed appropriate. Management determined that an allowance for doubtful accounts was not necessary as of December 31, 2016 and 2015. Accounts receivable are written off when deemed uncollectible.

Recoveries of accounts receivable previously written off are recorded as income when received. Management determines the past due status of accounts receivable based on contractual terms with each franchisee. Interest is not charged on past due subfranchisor or franchisee accounts.

Included in the accounts receivable is $120,179 of area development fee from a subfranchisor. The Company expects to collect $42,045 of this balance in 2017 and the remaining balance after December 31, 2017.

Income Taxes

The Company is a limited liability company and, as such, is taxed as a partnership. Accordingly, the members accounts for the Company's items of income, deductions, losses and credits on their income tax returns. As a result of this election, only the fees associated with doing business in California as a limited liability corporation will be recognized in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain tax position that more than likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2016 and 2015, there were no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Subsequent Events

The Company has considered subsequent events through March 27, 2017, the date the financial statements were available to be issued, in preparing the financial statements and notes thereto.

Note 2 – Related Party Transactions

The Company has an agreement with Stick House Company srl., a member, which grants the Company the right to use and license the use of all Stick House proprietary marks. The license fee under the agreement is equal to 40% of the Company's annual revenues, as defined. The license fee for the year ended December 31, 2016 and for the period from May 1, 2015 through December 31, 2015 was $69,538 and $2,706, respectively.

The Company has a management agreement with Stick House Company srl. The annual management fee under this agreement is equal to 30% of the Company's annual revenues, as defined. The management fee for the year ended December 31, 2016 and for the period from May 1, 2015 through December 31, 2015 was $52,153 and $2,030, respectively.

As of December 31, 2016, and 2015, a due from member balance of $2,984 and $68,063, respectively, resulted from an overpayment of license and management fees to Stick House Company srl.

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT J
FRANCHISEE LIST

LIST OF OUTLETS OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2016

Mushegh Arakelyan
6741 Hollywood Boulevard
Hollywood, California
(818) 636-0099

* John Hedberg
Northridge Fashion Center
9301 Tampa Avenue
Northridge, California 91324
(818) 224-0123

* Area Developer

LIST OF FRANCHISEES WHO HAVE SIGNED AGREEMENTS BUT ARE NOT YET OPEN AS OF DECEMBER 31, 2016:

* Farzan Isfahani
194 Bishop Landing
Irvine, California 92620
(256) 797-2552

* John Hedberg
Sherman Oaks, California
(818) 224-0123

Patrizia Scarfagna Mogherini
Marinella Paolini
1424 Tiger Tail Road
Brentwood, California 90049
(310) 626-7425

Palsa Holdings, Inc. (Arun Jain, Anuj Jain, Ankur Jain)
20422 Coraline Circle
Chatsworth, California 91311
(818) 521-6397

Sheeraj Parikh/Emmanual Mavris
2501 Redrock Drive
Corona, California 92882
(909) 510-9102

** Soumo, LLC
Ahmed Abourehab
3516 Hathaway Avenue, Unit 511
Long Beach, California 90815

Sam Ruishan Mao
441 S. Avenida Alipaz
Walnut, California 91789
(909) 226-6055

Jeannie Zhou
2275 Huntington Drive, #727
San Marino, California 91108
(626) 226-9262

* Area Developer

** Agreement signed to purchase existing and already operational company-owned Stickhouse Truck in February, 2017.

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT K
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS & STATE AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR -SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677	California Commissioner of the Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities, Department 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
INDIANA	Indiana Secretary of State Securities Division, –E-111 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner at the Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section G. Mennen Williams Building 1st Floor 525 West Ottawa Lansing, Michigan 48913 (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 500 St. Paul, Minnesota 55101-2198 (651) 296-4026	Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-4026
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau Franchise Section 120 Broadway, 23rd Floor	~~Attn: New York Secretary of the State~~ New York Department of State One Commerce Plaza 99 Washington Ave., 6th Floor

STATE	STATE ADMINISTRATOR	AGENT FOR -SERVICE OF PROCESS
	New York, New York 10271-0332 (212) 416-8236 (Phone) (212) 416-6042 (Fax)	Albany, New York 12231-0001 (518) 473-2492
NORTH DAKOTA	Office of the Securities Commissioner 600 East Boulevard Avenue Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-~~2910~~4712	~~Office of the~~North Dakota Securities Commissioner 600 East Boulevard Avenue Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-~~2910~~4712
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Securities Division Department of Business Regulation Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462 9582	Director, Securities Division Department of Business Regulation, Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462 9582
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823	Director, Department of Labor and Regulation Division of Securities 445 East -Capitol Avenue 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) 371-9051	Clerk~~,~~ of the State Corporation Commission 1300 East Main Street, First Floor Richmond, Virginia 23219 (804) 371-~~9051~~9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98501 -(360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W.- Tumwater, Washington 98501 (360) 902-8760
WISCONSIN	Franchise Registration Division of Securities 201 West Washington Avenue Suite 300 Madison, Wisconsin 53703 (608) 266-1064	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue Suite 300 Madison, Wisconsin 53703 (608) 266-1064

GELATORO FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT L
RECEIPTS

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Gelatoro Franchising, LLC offers you a franchise, Gelatoro Franchising, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan ~~and Rhode Island require~~requires that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.-

New York requires you to receive this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Gelatoro Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency Identified on **Exhibit J**.

The franchisor is Gelatoro Franchising, LLC located at ~~620 North La Brea Avenue, Inglewood~~7095 Hollywood Boulevard, Suite 1008, Hollywood, California ~~90301~~90028; Telephone: 323-~~447-9298~~ 770-2626.

Issuance Date: ~~February 19, 2016, as amended on~~ April ~~26, 2016~~18, 2017.

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Ismar Toromanovic; ~~620 North La Brea Avenue, Inglewood, California 90301; Telephone: 323-447-9298.~~7095 Hollywood Boulevard, Suite 1008, Hollywood, California 90028; Telephone: 323 770-2626; Shreeraj Parikh, 2501 Redrock Drive, Corona, California 92882; Telephone: 909-510-9102; and ______________________________.

We authorize the persons and/or entities listed on **Exhibit J** to receive service of process for us.

I have received a Disclosure Document dated ~~February 19, 2016, as amended on~~ April ~~26, 2016~~18, 2017. This Disclosure Document includes the following Exhibits:

Exhibit A: Franchise Agreement
Exhibit B: Area Development Agreement
Exhibit C: Option to Obtain Lease Assignment
Exhibit D: Confidentiality Agreement for Prospective Franchisees
Exhibit E-: Non-Disclosure and Confidentiality Agreement for Employees of Franchisee
Exhibit F: General Release
Exhibit G: State Specific Addenda
Exhibit H: Franchise Compliance Certificate
Exhibit I: Financial Statements
Exhibit J: State Administrators and Agents for Service of Process
Exhibit K: ~~Receipts~~Franchisee List
Exhibit L: Receipts

______________________ ______________________

Date Franchisee

Please sign this copy of the Receipt, date your signature, and return it to Ismar Toromanovic, Gelatoro Franchising, LLC, ~~620 North La Brea Avenue, Inglewood~~7095 Hollywood Boulevard, Suite 1008, Hollywood, California ~~90301~~90028; Telephone: 323-~~447-9298~~

770-2626

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Exhibit L: Receipts

____________________ Date

____________________ Franchisee

Keep this copy for your records. This Disclosure Document may be available in several formats including on paper, on a CD, in pdf format or on our website: www.stickhousegelato.com.