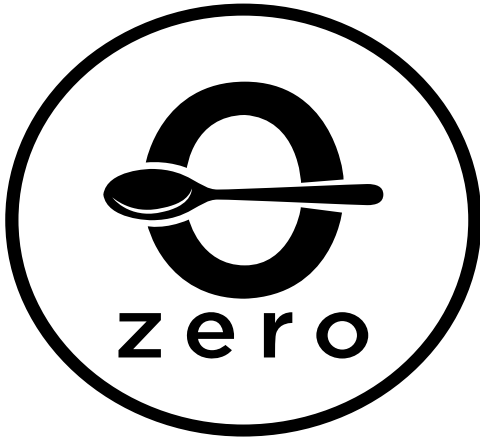


	ZERO DEGREES ITALIAN ICE, INC. D/B/A ZERO DEGREES A California Corporation 3921 E La Palma Avenue #E Anaheim, California 92807 714-803-3628 www.zerodegreescompany.com
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Zero Degrees Italian Ice, Inc., a California limited liability company, offers franchises for the operation of Zero Degrees Restaurant (“**Zero Degrees Restaurant**”) that offer freshly made coffee, teas, slushies, milkshakes, and snacks and other specialty food items. The total investment necessary to begin operation of a Zero Degrees Restaurant is **\$411,500 to \$482,500**. This includes the **\$45,000** franchise fee that must be paid to us.

If you sign an Area Development Agreement, we assign a defined area within which you must develop and operate a minimum of three (3) Zero Degrees Restaurants within a specified period of time..

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of receiving this Disclosure Document in a different format, contact Ken Le at 3921 E. La Palma Avenue #E, Anaheim, California 92807 and (714) 803-3628.

The terms of your written contracts with us will govern your franchise relationship. Don’t rely on this Disclosure Document alone to understand your contract. Read all of your contracts carefully. Show your contracts and this Disclosure Document to an advisor, like a lawyer or accountant. If there is any conflict or inconsistency between this Disclosure Document and your contracts, your contracts control and you should rely on your contracts.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise”, which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home

page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS MARCH 27, 2019.

STATE COVER PAGE

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

Call the state franchise administrator listed in **Exhibit 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, 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 ZERO DEGREES ITALIAN ICE, INC. BY ARBITRATION IN ORANGE COUNTY, CALIFORNIA. OUT OF STATE DISPUTE RESOLUTION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO PARTICIPATE IN DISPUTE RESOLUTION WITH ZERO DEGREES ITALIAN ICE, INC. 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. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.
4. 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

See the Next Page for State Effective Dates

STATE EFFECTIVE DATES

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

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

California: MARCH 27, 2019

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of **MARCH 27, 2019**.

**ZERO DEGREES ITALIAN ICE, INC.
FRANCHISE DISCLOSURE DOCUMENT
TABLE OF CONTENTS**

<u>ITEM</u>		<u>PAGE</u>
1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	8
2	BUSINESS EXPERIENCE	10
3	LITIGATION	11
4	BANKRUPTCY	11
5	INITIAL FEES.....	11
6	OTHER FEES ¹	13
7	ESTIMATED INITIAL INVESTMENT'	21
8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	25
9	FRANCHISEE'S OBLIGATIONS	29
10	FINANCING	30
11	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	30
12	TERRITORY.....	39
13	TRADEMARKS.....	41
14	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	43
15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE	43
16	FRANCHISE BUSINESS.....	43
17	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	44
18	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	45
19	PUBLIC FIGURES.....	54
20	FINANCIAL PERFORMANCE REPRESENTATIONS	54
21	OUTLETS AND FRANCHISEE INFORMATION.....	55

22	FINANCIAL STATEMENTS.....	58
23	CONTRACTS.....	58
24	RECEIPTS.....	59

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 PERSONNEL OF FRANCHISEE
- EXHIBIT F: GENERAL RELEASE
- EXHIBIT G: STATE SPECIFIC ADDENDA
- EXHIBIT H: CLOSING QUESTIONNAIRE
- EXHIBIT I: FINANCIAL STATEMENTS
- EXHIBIT J: STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF
PROCESS
- EXHIBIT K: TABLE OF CONTENTS OF OPERATIONS MANUAL
- EXHIBIT L: RECEIPTS

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

Zero Degrees Italian Ice, Inc.

Zero Degrees Italian Ice, Inc. a California corporation (“**Franchisor**”), was organized on April 11, 2017 to franchise and administer businesses using the mark ZERO DEGREES. To simplify the language in this Disclosure Document, the words “**Franchisor**,” “**We**,” “**Us**,” or “**Our**” mean the franchisor, ZERO DEGREES. “**Franchisee**,” “**You**,” or “**Your**” means the person who buys the franchise and includes Your owners if You are a corporation, limited liability company, partnership or other business entity who signs the Franchise Agreement. Bold face terms are for ease of reference only. Our agent for service of process is Ken Le, 3921 E. La Palma Avenue #E, Anaheim, California, 92807.

Franchisor’s Parents, Predecessors and Affiliates

We have no predecessors or parent companies. Our affiliate, Zero Degrees Italian Ice, LLC, a California limited liability company (“**Zero Degrees Westminster**”), was formed on July 5, 2013 and operates a ZERO DEGREES Restaurant located at 9822 Bolsa Avenue Restaurant C, Westminster, California 92683. Our affiliate TPP Investment LLC, a California Limited Liability Company was formed on April 10, 2015 and operates three (3) ZERO DEGREES Restaurants located at 17575 Colima Road Suite B, City of Industry, California 91448, 2323 East Chapman Avenue Restaurant C, Fullerton, California 92831, and 1785 Palo Verde Suite F, Long Beach, California 90815. Our affiliate Zero Degrees Anaheim Inc., a California corporation, was formed at February 26, 2018 and operates one (1) ZERO DEGREES Restaurant located at 214 South State College Boulevard, Anaheim, California, 92806. Our affiliate Zero Degrees X, LLC, a California limited liability company, was formed on December 20, 2015, and operates two (2) ZERO DEGREES Restaurant under the name “Zero X” located at 3560 West Temple Avenue, Pomona, California 91768 and 1889 University Ave, Suite 105 Riverside, California 92507. Our affiliate JSW Restaurant Group LLC, a California limited liability company, formed on February 21, 2018, operates one (1) ZERO DEGREES Restaurant located at 24950 Redlands Blvd, Restaurant #A, Loma Linda, California 92354. We do not operate any Zero Degrees Restaurants. Neither we nor our affiliates conduct any business activities other than in connection with the Restaurants or have previously offered franchises in this or any other line of business. We have offered franchises for Restaurants since April 11, 2017.

Zero Degrees Franchise

We have developed the Zero Degrees system (“**Zero Degrees System**”) for the operation of Zero Degrees Restaurants which all use the same trade name “**Zero Degrees**” and other related trademarks, service marks, logos and commercial symbols (collectively, the “**Zero Degrees Marks**”). We began offering Zero Degrees franchises in 2017. We have not offered franchises in any other line of business. A Zero Degrees Restaurant specializes in offering in fresh and delicious drinks, made with 100% real fruits with no artificial flavors, along with high quality Asian/Mexican authentic foods. Some of our popular items are Mangonada, Pink Lychee, Split Cup, Spicy Watermelon, Ube Milkshake, Elotes, Popcorn Chicken, and Cajun Fries.. We offer 2 separate franchises in this Disclosure Document, though we may not necessarily allow you the opportunity to purchase under any of these programs.

Single Zero Degrees Restaurant Program.

Under this program, you will sign a Franchise Agreement in substantially the form of **Exhibit A** to this Disclosure Document (the “**Franchise Agreement**”) to operate a single Zero Degrees Restaurant at a location which you choose and which we accept (the “**Franchised Location**”).

Area Development Program.

Under this program, we assign a defined area (the “**Development Area**”) within which you, as an area developer (“**Area Developer**”), must develop and operate a minimum of 3 Zero Degrees Restaurants 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 sign an Area Development Agreement in substantially the form of **Exhibit B** to this Disclosure Document (the “**Area Development Agreement**”), which will describe your Development Area and your development schedule and obligations. For each Zero Degrees Restaurant you open under the Area Development Agreement, you must sign a separate Franchise Agreement on our then current form after we accept the site for the Zero Degrees Restaurant.

Under any of our franchise programs, franchisees, Area Developers, or Buyers may be individuals or entities who meet our then current requirements for franchisees, Area Developers or Buyers. These requirements may include the signing of personal guarantees in substantially the form of **Exhibit C** to the Franchise Agreement by some or all of the individuals holding an equity interest in the franchisee, Area Developer or Buyer. In addition, you, and each of your affiliates who has a currently effective Franchise Agreement with us, must sign a General Release in substantially the form of **Exhibit G** to this Disclosure Document, as a condition to entering into a new Franchise Agreement. The term “Zero Degrees Restaurant” in this Disclosure Document will include an Operating Zero Degrees Restaurant unless this Disclosure Document specifically states or the context requires otherwise.

If you are signing a new Franchise Agreement for the renewal of an existing franchise, some of the terms of the new Franchise Agreement may be modified or different from the terms of your existing Franchise Agreement.

Competition

The typical Zero Degrees Restaurant is on a major thoroughfare or in or adjacent to a retail shopping center. You will compete in the tea, smoothie, coffee, and food and snack business with various established independent local tea and coffee shops and regional or national chain outlets specializing in tea, smoothie, coffee and other beverages as well as with other tea or coffee shops and take-out facilities selling other kinds of beverages or specialty food and drinks. You may also compete with other Zero Degrees Restaurants, both franchise and company-owned outlets. Many tea and coffee shops specialize in tea, smoothie, coffee and other beverage products and there is competition in the tea, smoothie and coffee business in general.

Special Industry Regulation

Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Zero Degrees Restaurant, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of Zero Degrees Restaurant premises; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for tea, smoothie and coffee shops; employee practices concerning the storage, handling, cooking and preparation of food and beverages; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) govern the use of vending machines; and (f) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Zero Degrees Restaurant and should consider both their effect and cost of compliance.

In addition, you must comply with all local, state, and federal laws that apply to your Zero Degrees Restaurant, including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled people and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, etc. You must obtain all required real estate permits, licenses and operational licenses. California law requires each food facility that meets specified criteria (which cover franchised outlets with at least 19 other franchised outlets with the same name among certain other food facilities) to provide nutritional information that includes, per standard menu item, the total number of calories, grams of saturated fat, grams of trans fat, and milligrams of sodium and to have menu boards to include the total number of calories. Other states and cities may have laws similar to these California laws. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Zero Degrees Restaurant.

ITEM 2 BUSINESS EXPERIENCE

PRESIDENT & CHIEF EXECUTIVE OFFICER:

Ken Le

Ken Le has been the President since formation in April 2017. He has been Zero Degree Westminster's President since its formation on July 5, 2013. Mr. Le along with Trinity Le and San Huynh created the ZERO DEGREES concept and has operated the Restaurant in Westminster, California since October 2013. Mr. Le is heavily involved in the business development and the marketing focus for the ZERO DEGREES brand.

TREASURER

Trinity Le

Trinity Le has been the Treasurer since formation on April 2017. She has also been Zero Degree Westminster's Treasurer since its formation on July 5, 2013. Ms. Le along with Ken Le and San Huynh created ZERO DEGREES concept and has operated the Restaurant in Westminster, California since October 2013. Ms. Le is heavily involved in the finance infrastructure, business operations, and training development for managers and employees of ZERO DEGREES.

SECRETARY:**San Huynh**

San Huynh has been the Secretary since formation in April 2017. She has also been Zero Degree Westminster's Secretary since its formation on July 5, 2013. Ms. Huynh along with Ken Le and Trinity Le created ZERO DEGREES concept and has operated the Restaurant in Westminster, California since October 2013. Ms. Huynh is heavily involved franchise's administration process, business operations, and product innovations of ZERO DEGREES.

FRANCHISE DIRECTOR:**Dewey Nguyen**

Dewey Nguyen has been Our Franchise Director since May 1, 2017. He is responsible for finding and designing locations, training, and marketing. Prior to joining Us, Mr. Nguyen was a Finance Manager for Norm Reeves Honda in Cerritos, California from December 2012 to May 2017.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

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

**ITEM 5
INITIAL FEES****Single Zero Degrees Restaurant Program**

You must pay us an initial franchise fee (the “**Initial Franchise Fee**”) of \$45,000 when you sign the Franchise Agreement (**Exhibit A**) for your Zero Degrees Restaurant. If you are signing a new 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 new Franchise Agreement as provided in your existing Franchise Agreement.

Area Development Program

You must pay us a development fee (the “**Development Fee**”) equal to the Initial Franchise Fee for the first required Zero Degrees Restaurant, plus an additional \$22,500 for each additional Zero Degrees Restaurant to be developed under the Area Development Agreement when you sign the Area Development Agreement (**Exhibit B**) for a minimum of 3 Zero Degrees Restaurants. You must also sign a separate Franchise Agreement (**Exhibit A**) for each Zero Degrees Restaurant to be opened under the Area Development Agreement. We will credit the Development Fee against the Initial Franchise Fees for each Zero Degrees Restaurant (not to exceed a credit of \$22,500 for any

which differs from our current form, your Initial Franchise Fee will be determined by your Area single Zero Degrees Restaurant). When you sign the Area Development Agreement, you must sign a Franchise Agreement for your first location and pay the Initial Franchise Fee, less the development fee credit, for the first Zero Degrees Restaurant. if you signed an earlier form of Area Development Agreement Development Agreement. After we accept the proposed Franchised Location for each Zero Degrees Restaurant to be opened by you and after we deliver our then current Disclosure Document to you, you must sign a Franchise Agreement for the Franchised Location.

Refunds, Different Fees and Financing

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

**ITEM 6
OTHER FEES¹**

Name of Fee	Amount	Due Date	Remarks
Royalty Fee ¹	6% of monthly Gross Sales	Bi-Weekly	Gross Sales include all revenue from your Zero Degrees Restaurant operations. Gross Sales do not include the amount of bona fide refunds paid to customers and amount of any sales or use taxes actual paid to any governmental authority and the retail price of any coupons, gift certificates, vouchers when they are redeemed, or proceeds from the sale of furniture, equipment, or other similar items in the Zero Degrees Restaurant.
System Marketing Fund Fee ¹	2% of Gross Sales	Same as Royalty Fee	The System Marketing Fund Fee to be used for advertising and marketing purposes as described in Item 11, and is in addition to the 2% of Gross Sales, which you must spend on local advertising. The Franchisor will make contributions at the same rate for its affiliate Zero Degrees Restaurants.

Name of Fee	Amount	Due Date	Remarks
Local Ad Fee	Minimum 1% of Gross Revenue, including \$350 per month to Franchisor	As Incurred; \$175 bi-weekly for social media management.	You must spend this amount monthly on advertising for your Zero Degrees Restaurant for local advertising and sales programs. We do not collect this fee, except for the Local Facebook and Yelp pages administration fee for \$350 per month. This administration fee will count towards your 1% local ad fee. If an advertising cooperative is established in your area, you must join it and contributions to it will be applied towards this obligation.
Late Charge	\$250 <u>plus</u> 1.5% 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 ² . The highest interest rate in California is 10% annually.	Continues 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.
Initial Training Program Fee	\$15,000	On demand	We will provide an Initial Training Program for up to 2 persons selected by you who must include the Operating Partner or General Manager, at your store, for up to 10 days.
Trainer Travel Room & Board Fee	\$8,000	On demand	This fee is for travel, room, and board for five (5) trainers to conduct the Initial Training Program at your Zero Degrees Restaurant.

Name of Fee	Amount	Due Date	Remarks
Additional Persons Initial Training Program Fee	\$500 per person per day.	On demand	If you send more than 2 people to the Initial Training Program, you must pay this Additional Training Fee per day per additional trainee.
Additional / Remedial Training Program ¹	\$500 per person per day, plus our out of pocket expenses, including transportation, food, and lodging.	On demand.	We may require you and your manager to attend additional and remedial training programs, at our sole and absolute discretion. You must pay us our then-current daily fee for each of our representatives that provides additional or remedial training. You must also pay for all transportation costs, food, lodging and similar costs incurred in connection with attending any Additional Training Programs.
Manual Replacement Fee	\$500	On demand.	Payable if you misplace the Manuals, fail to return them to us, or certify that they have been destroyed, upon demand.

Name of Fee	Amount	Due Date	Remarks
Re-Inspection Fee	\$500 per re-inspection, plus out of pocket expenses includes travel, lodging, and food.	On demand.	Payable if we must revisit your Zero Degrees Restaurant for another inspection after you have already been notified of any deficiency or unsatisfactory condition at your Zero Degrees Restaurant, including quality, cleanliness, service, and health.
Insurance	Amount of unpaid premiums and our out of pocket costs, plus 10%.	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)	25% of then-current Franchise Fee	On demand	Payable if you transfer or assign your Franchise Agreement or Area Development Agreement
Point of Sale or Non-Cash Payment Systems	All costs associated with point of sale or non-cash payment systems.	As incurred	You must accept debit cards, credit cards, stored value gift cards or other non-cash forms of payment we specify to enable customers to purchase authorized products.

Name of Fee	Amount	Due Date	Remarks
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 Fee	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 rate allowed by law (not to exceed 18%) ² .	On demand.	Payable only if audit shows an understatement of 2% or more of Gross Sales. Cost varies depending on how well books and records are kept, but is estimated at \$1,000 to \$5,000.
Interim Management Fee	To be determined.	As incurred.	If you are in default under the Franchise Agreement, and we elect to assume interim management of your Zero Degrees Restaurant during the pendency of any cure period or in lieu of immediately terminating your Franchise Agreement, we may charge you a reasonable fee for our management services.

Name of Fee	Amount	Due Date	Remarks
Renewal Fee	50% of then-current initial franchise fee	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.
Gross Up Fees	Varies with circumstances.	On demand.	To insure that we receive a full 6% 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 inspection	On demand.	We may, in our sole and absolute discretion, contract with a third party to conduct sanitation and food safety audits of your Zero Degrees Restaurant from time to time during the term of your Franchise Agreement, but no less than once per calendar year.

Name of Fee	Amount	Due Date	Remarks
New Product and Supplier Testing	Reasonable cost of inspection and actual cost of testing; \$1000 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 a condition of our 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 designate for testing. You must pay us a fee which will not to exceed the reasonable cost of the inspection and the actual cost of the test.
Annual Conference Fee	\$500	On demand, at least 30 days before the date of the Annual Franchise Conference, whether or not you attend the Annual Franchise Conference.	In the event we hold an Annual Franchise Conference for all Zero Degrees 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.

Name of Fee	Amount	Due Date	Remarks
Relocation Fee	\$5000	On demand	You must pay us this fee if you relocate your Zero Degres Restaurant with our approval.
Indemnification	Amount of claim and costs incurred(8)	Upon Demand	You must indemnify Us for claims relating to the operation of your Zero Degres Restaurant.

NOTES:

1. All fees are imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable except for errors. All fees payable are intended to be “net” amounts and You will pay or reimburse Us for any sales, services, use or similar taxes which may be imposed upon any such fees (specifically not to include income tax)
2. Interest begins from the date of the underpayment or non-payment.

ITEM 7
ESTIMATED INITIAL INVESTMENT
SINGLE ZERO DEGREES RESTAURANT

YOUR ESTIMATED INITIAL INVESTMENT

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 ¹	\$1,000	\$2,000	Cash	As Incurred	City, County, State
Pre-Construction Cost (Architect, Plans, Permits) ²	\$11,000	\$18,000	As Arranged	As Incurred	Approved Supplier
Leasehold/Construction ³	\$180,000	\$250,000	As Arranged	As Incurred	Approved Supplier
FURNITURE, FIXTURES, EQUIPMENT & SIGNAGE					
Exterior Signage	\$5000	\$10,000	As Arranged	As Incurred	Approved Supplier
POS System and Software ⁴	\$3,000	\$5,000	As Arranged	As Incurred	Approved Supplier
Security Cameras and DVR; Televisions; Back Office Computer, Printer and Related Hardware and Related Hardware and Software; and Sound System	\$5000	\$10,000	As Arranged	Before Opening	Various Vendors
Furniture, Fixtures and Equipment ¹³	\$60,000	\$75,000	As Arranged	As Incurred	Approved Supplier
OTHER					
Opening Inventory-Zero Degrees Proprietary Products ⁵	\$25,000	\$30,000	As Arranged	Before Opening	Us
Opening Inventory- Non-Proprietary Products ⁵	\$10,000	\$15,000	As Arranged	Before Opening	Approved Supplier
Grand Opening Advertising/Marketing ⁶	\$2,500	\$5,000	As Arranged	Before Opening	Franchisor
Zero Degrees Restaurant Premises (Lease	5,000	\$15,000	Cash (Non- refundable)	At Signing	Landlord

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Deposit) ⁷					
Estimated Rent ⁷	\$5,000	\$12,000	Cash	Before Opening	Us
Insurance – Liability & Workers compensation (initial deposit)	\$1,000	\$5,000	Cash	Before Opening	Approved Supplier
Legal Fees/Organizational Expenses ⁸	\$1,000	\$2,500	Cash	Before Opening	Franchisor
Training Program ⁹	\$15,000	\$15,000	Cash	At Signing	Landlord
Trainer Travel and Living Expenses ⁹	\$8,000	\$8,000	Cash	Before Opening	Us
Initial Franchise Fee ¹⁰	\$45,000	\$45,000	Cash	Before Opening	Approved Supplier
ADDITIONAL FUNDS (3 months) ¹¹	\$40,000	\$60,000	Cash	Before Opening	Franchisor
Grand Total¹²	\$411,500	\$582,500			

All fees are 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 savings operating account for each week any funds are due and payable to us for Royalty Fees and all other sums that you owe to us or our affiliate. We currently do not offer financing for any purpose, but reserve the right to do so in the future. We do not guarantee your note, lease or other obligation.

1. This category includes equipment lease deposits, sales tax deposits or bonds, sewer hookup charges, and utility deposits.
2. These estimates include costs for space plan layout, exterior signage, design, architectural, kitchen, mechanical, electrical, plumbing and related drawings, engineering, testing, permit expeditor, and city permits and fees. You must use our designated architect and designer to design and construct your Zero Degrees Restaurant. The costs of these licenses and permits will vary from area to area. You should contact an attorney and the government authorities in your area for information about the cost and level of difficulties in obtaining all necessary permits. You must obtain all necessary business permits, licenses, and approvals to open your Zero Degrees Restaurant.
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, fixturation, equipment and installation, and the trade dress appearance of a Zero Degrees Restaurant. 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, furnishings and equipment, inventory and supplies located at or used in connection with your Zero Degrees Restaurant. The cost of constructing a building shell is not included.
4. This estimate includes the POS System (see Item 11). The figure provided is the cost to purchase a computerized cash accounting and point of sale system, including installation. Your costs may vary. We do require you to use the same hardware as a company-owned Zero Degrees Restaurant and we require you to use our specified software. Currently we use Square POS System and have the right to change POS systems at any time upon 90 days' notice.
5. You must purchase branded products and proprietary food and beverage products from us or our affiliate. These will include food, beverage, uniforms, small wares, and supplies. You may purchase non-branded products and non-proprietary food and beverage products from our approved vendors. See Item 8.
6. [INTENTIONALLY LEFT BLANK]

7. These estimates assume that your location will be a leased, unimproved, unfinished retail store- type Restaurant. The estimates are based on the assumption that the premises will be rented and that the landlord will require a security deposit of one month's rent. Each landlord has its own requirements and some landlords may require more than one month's rent as a security deposit. A typical Zero Degrees Restaurant 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 will be 1,600 to 2,500 square feet without side patio seating, and seat approximately 25 to 30 people inside, and 10 to 15 people outside in the patio area. Monthly lease payments usually range from \$5,000 to \$12,000 per month.
8. This estimate includes legal review and negotiation of the lease for the franchised Zero Degrees Restaurants and accounting assistance in setting up your books. Additional Legal Fees in the Area Development chart above reflects additional legal costs you may incur as a result of signing an Area Development Agreement.
9. This estimate includes the cost of sending five corporate trainers to your Zero Degrees Restaurant for up to 10-days on-site training program. The expenses not included in the initial \$15,000 training fee are as follows: lodging, means, car rental, and airfare, and you must pay us \$8,000 us for such expenses. Your Operating Partner and General Manager must attend our Initial Training Program. You will be responsible for any salaries, meals, lodging, other living expenses and transportation costs incurred by your employees while attending the Initial Training Program. This estimate does not include the pre-opening training salaries for your managers and employees at the Zero Degrees Restaurant.
10. The Initial Franchise Fee and the Development Fee are described in Item 5 of this Disclosure Document. The Initial Franchise Fee and the Development Fee are not refundable. \$22,500 of the Development Fee is credited toward the Initial Franchise Fee of \$45,000 for each Zero Degrees Restaurant developed pursuant to the Area Development Agreement. We do not provide financing for the Initial Franchise Fee or Development Fee. We may do so if and when we determine it is warranted by a unique or compelling situation. On the Area Development Agreement chart, the low estimate assumes you commit to developing 2 locations; the high estimate assumes you commit to developing 4 locations.
11. You must, at all times, maintain adequate reserves and working capital sufficient for you to fulfill all of your obligations under the Franchise Agreement and to cover the risks and contingencies of the Zero Degrees Restaurant for at least 3 months. The estimates provided above include estimated employee wages, 3 months of inventory (including Zero Degrees Restaurant equipment, beverage ingredients and food products), facility expenses, opening cash, and other miscellaneous expenses incurred before opening and during the first three 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. These amounts are the minimum recommended levels to cover operating expenses, including employee's salaries for 3 months. However, we cannot guarantee that those amounts will be sufficient. Additional working capital may be required if sales are low or 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 tea or coffee shop industry, so our disclosure covers a 3 month period.

12. We relied on our experience in operating our company-owned Zero Degrees Restaurants in developing these estimates, but Your costs will depend to a great extent on your area and your decision on each issue. You should review these estimates carefully with a business advisor before making any decision to purchase a franchise. Except for security deposits, none of the above payments are expected to be refundable. We will not finance any of these payments.
13. This is an estimate of the cost of leasing or purchasing the required point-of-sale system, camera system, and other related technology. The Manual contains a list of mandatory items for new Zero Degrees Restaurants with instructions for various state variations. Although you are not prohibited from doing so, we do not recommend that you purchase additional or upgraded items other than as specified in the manual.
14. The Initial Investment for your first Restaurant is taken from the chart above, titled Estimated Initial Investment Single Restaurant Zero Degrees Restaurant.

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:

Zero Degrees Restaurant Location. You are solely responsible for locating your Zero Degrees Restaurant site at the Franchised Location, subject to our acceptance. After you sign your Franchise Agreement, you must identify one or more sites that meet our then current standards and specifications. You must submit all demographic and other information regarding the proposed site and neighboring areas that we may require. If your Zero Degrees Restaurant has not yet been constructed, or does not meet our current standards for new Zero Degrees Restaurants, you must cause the Zero Degrees Restaurant to be constructed, equipped and improved in compliance with our specifications in the Manuals. You may not relocate your Zero Degrees Restaurant without our prior written consent.

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 products and services for Zero Degrees Restaurants meeting our specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, 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 products and services. Upon request, we will furnish to you a list of Approved Suppliers that we may update from time to time. You must operate your Zero Degrees Restaurant in strict compliance with the standards, procedures, policies, rules and regulations contained in the Manuals. We and our affiliates may be Approved Suppliers.

Goods, Supplies, Inventory and Services. You must serve all and only the products we authorize (“**Authorized Zero Degrees Products**”). We may specify beverages, food products, packaging and other products, including branded products, which are created, conceived, produced, developed or manufactured according to or using our or our affiliates’ trade secrets, confidential information, processes, methods, methodologies, recipes, specifications, formulas and/or proprietary or intellectual property rights (collectively, the “**Zero Degrees Proprietary Products**”). You must buy Zero Degrees Proprietary Products only from us, our affiliates or our Approved Suppliers. We will not be obligated to reveal our trade secrets, confidential information, processes, methods, methodologies, recipes, specifications, formulas and/or proprietary or intellectual property rights with respect to any Zero Degrees Proprietary Products to you or any third party. You must purchase, use, and maintain in stock a sufficient amount of Authorized Zero Degrees Products and Zero Degrees Proprietary Products to operate your Zero Degrees Restaurant.

We may designate certain non-proprietary food products, condiments, liquid, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, menus, packaging, forms, customer comment cards, POS Systems, computer hardware, off-the-shelf software, modems, printers and other peripheral computing equipment and other products, supplies, and equipment, but excluding any Zero Degrees Proprietary Products and excluding Zero Degrees branded products, which you may or must use or sell at your Zero Degrees Restaurant (“**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, freshness 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 Zero Degrees System. We may limit items to a particular brand or brands set by us.

Equipment & Fixtures. You must purchase and install, at your expense, all fixtures, furnishings, equipment (including point-of-sale cash collection system), decor, and signs as we direct. You may not install on or about your Zero Degrees Restaurant any merchandise, furnishings, interior or exterior decor items, supplies, fixtures, equipment or utensils unless they have been approved by us in writing. You may purchase these items from an Approved Supplier.

Computer Equipment. You must purchase, lease or license, as applicable, all computer hardware and software designated by us for the Zero Degrees Restaurant at your expense. You must maintain and update all computer hardware and software as required by us. (See Item 11).

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 for our review and inspection. 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 of our confidential

information, 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 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 designate for testing. You must pay us a fee not to exceed the cost of the inspection and the actual cost of the test. In addition to product testing, a facility audit may be required. 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 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 requirements and specifications. We will disapprove or withdraw our approval of any supplier by written notice to you.

We may, from time to time, receive rebates from Approved Suppliers based on the aggregate volume of items ordered. You will not be entitled to receive any portion of these rebates. We do not currently receive rebates based on purchases by franchisees. In addition, we may negotiate certain arrangements (including price terms) for the purchase of certain items, such as logoed paper products and cups with suppliers. 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 System.

Approximately 65% of your start-up expenses and 65% of your ongoing expenses, other than fees disclosed in Items 5 and 6, will be for purchases from Approved Suppliers or purchases according to our specifications.

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 insurance must be in compliance with all local laws and regulations. The required insurance must protect both you and us against any demand or claim with respect to personal and bodily injury, death, and property damage, and for any loss, liability, and expense whatsoever arising or occurring upon or in connection with the operation of your Zero Degrees Restaurant. Each policy must: (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which your Zero Degrees Restaurant 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.

Improvements. All ideas, concepts, information, know-how, inventions, original works of authorship, specifications, developments, techniques, processes, practices, methods, methodologies, improvements, derivative works, trade secrets, and other proprietary or intellectual

property rights and related materials created, conceived or developed by you, whether or not protectable intellectual property, in connection with your Zero Degrees Restaurant or any part of the Zero Degrees System must be promptly disclosed to us and will become our exclusive property and a part of Zero Degrees franchise system without compensation to you.

There are no restrictions as to whom you may sell the Authorized Zero Degrees Products, except as may be limited or prohibited by this Disclosure Document or the Franchise Agreement or other documents to which you may be bound or by law.

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 AGREEMENT	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 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	Section 4 of the Franchise Agreement; Sections 4, 9.4.7 and Exhibit B of the Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies/Manuals	Section 8 of the Franchise Agreement; Sections 6 and 16 of the Area Development Agreement	Item 11
h. Trademarks and proprietary information	Section 10 of the Franchise Agreement; Section 7 of the Area Development Agreement	Items 11, 13, and 14
i. Restrictions on products/services offered	Section 9 of the Franchise Agreement; Section 6.2 of the Area Development Agreement	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Sections 2.1, 2.3, 2.5, 2.6 and 6.1 of the Area Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 8, 9 and 10.5 of the Franchise Agreement	Item 16
m. Maintenance, appearance and remodeling requirements	Sections 5.3 and 8.19 of the Franchise Agreement	Items 7 and 16
n. Insurance	Section 14 of the Franchise Agreement; Section 6.5 of the Area Development Agreement	Item 16

o. Advertising	Section 11 of the Franchise Agreement	Item 15
p. Indemnification	Section 19.4 of the Franchise Agreement; Section 14.4 of the Area Development Agreement	Items 6, 12 and 17
q. Owner's participation /management/ staffing	Section 8.5 of the Franchise Agreement	Item 15
r. Records and reports	Section 13 of the Franchise Agreement	Item 6
s. Inspections and audits	Section 13.3 of the Franchise Agreement	Item 6
t. Transfer	Section 15 of the Franchise Agreement; Sections 9 and 10 of the Area Development Agreement	Items 6 and 17
v. Post-termination obligations	Section 18 of the Franchise Agreement; Section 12 of the Area Development Agreement	Items 6 and 17
w. Non-competition covenants	Section 16 of the Franchise Agreement; Section 13 of the Area Development Agreement	Item 17
x. Dispute resolution	Section 20 of the Franchise Agreement; Section 15 of the Area Development Agreement	Item 17
y. Taxes & Permits	Sections 4.5 and 5.3 of the Franchise Agreement.	Items 1 and 7
z. Computer hardware and software	Section 8.3 of the Franchise Agreement; Section 6.6 of the Area Development Agreement	Item 16
Other Security Interest	Section 4.7 of the Franchise Agreement	Item 10

ITEM 10 FINANCING

We do not offer direct or indirect financing. We will not guarantee your note, lease, or other obligation.

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 obligations to you before you open your Zero Degrees Restaurant for business:

1. **Zero Degrees Restaurant Site Selection Assistance.** You are solely responsible for selection of the proposed site of your Zero Degrees Restaurant, which will be subject to our review and acceptance. 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 Zero Degrees Restaurant locations, such as general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings 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. You must open your Zero Degrees Restaurant within 180 days after signing your Franchise Agreement. We will not unreasonably withhold our consent to your request for additional time to open your Zero Degrees Restaurant. (**Franchise Agreement, Sections 5.1 and 5.4**).
2. **Site Design Assistance.** We will provide you with a copy of our specifications for the décor and layout of a Zero Degrees Restaurant and the required fixtures, equipment, furnishings, décor, trade dress and signs. You must construct your Zero Degrees Restaurant in accordance with our specifications and must obtain our prior written approval before deviating from our specifications. You are responsible for the costs of preparing architectural, engineering and construction drawings and site and space layout and exterior signage plans. You must use our designated architect and designer to design and construct your Zero Degrees Restaurant or obtain our prior written consent to use an architect or designer other than our designated architect and designer. You are responsible for the cost of construction and remodeling of your Zero Degrees Restaurant. (**Franchise Agreement, Section 5.3**).
3. **Manuals.** After you sign your Franchise Agreement, we will loan you a hard or electronic copy of our Operations Manual. The Table of Contents of the Operations Manual is attached to this Disclosure Document as **Exhibit I**. There are currently a total of **33** pages in our Operations Manual. Our operations standards may consist of our Operations Manual, one or more separate manuals, as well as audiotapes, videotapes, compact discs, computer software, information available on an internet or intranet site, other electronic media, bulletins and/or other written materials (collectively, the “Manuals”) to use during the term of the Franchise Agreement. The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply in order to avoid a re-inspection your Zero Degrees Restaurant or a breach of your Franchise Agreement. We may, from time to time, update or change the Manuals in our sole discretion. (Franchise Agreement, Section 6.3).
4. **Franchise Disclosure Document.** 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 Zero Degrees Restaurant. (**Area Development Agreement, Section 5.3**).
5. **Marketing.** We will create and maintain your Zero Degrees Restaurant Facebook and Yelp pages.

Post-Opening Obligations

We have the following obligations to you during the operation of your Zero Degrees Restaurant:

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. (**Franchise Agreement, Section 6.4.**)
2. We may provide additional and remedial training programs. (**Franchise Agreement, Section 6.2).**)
3. We will designate Zero Degrees Proprietary Products and Non-Proprietary Products which you may or must stock and promote. (**Franchise Agreement, Sections 9.3).**)
4. We may examine your Zero Degrees Restaurant to confer with your employees, inspect and check operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures and equipment, and determine whether your Zero Degrees Restaurant is being operated in accordance with the Franchise Agreement, Zero Degrees System and the Manuals. (**Franchise Agreement, Sections 6.5).**)

Length of Time to Open Your Zero Degrees Restaurant

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 Zero Degrees Restaurant for business within 180 days after signing your Franchise Agreement, unless we agree otherwise. (**Franchise Agreement, Sections 5.2 and 5.4).**)

A Zero Degrees Restaurant 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 in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors.

You may open a Zero Degrees Restaurant under the Area Development Agreement only by signing a Franchise Agreement for that location. As noted above, we estimate the length of time between signing a Franchise Agreement and the opening of your Zero Degrees Restaurant is 6 months.

Site Selection/Lease/Purchase of Real Estate

If you do not already have a location when you sign your Franchise Agreement, you must purchase or lease a site for your Zero Degrees Restaurant promptly after you sign the Franchise Agreement. You must submit your proposed lease to us for approval before you sign it, and provide 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. 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 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 Zero Degrees Marks from the Franchised Location and modify the decor of the Franchised Location so that it no longer resembles, in whole or in part, a Zero Degrees Restaurant 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, and equip the Zero Degrees Restaurant and complete construction of the Zero Degrees Restaurant within 180 days after signing the Franchise Agreement. (**Franchise Agreement, Section 5.3**). If you are purchasing the Franchised Location, you must submit the contract for purchase and sale to us for approval before you sign it, and provide a fully signed copy of the contract following signing.

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 demographic 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 5.1**). 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 5.3**).

You may not open your Zero Degrees Restaurant at the Franchised Location for business until you have received our written authorization, which may be subject to our satisfactory inspection of the Zero Degrees Restaurant at the Franchised Location. (**Franchise Agreement, Section 5.4**).

Electronic Cash Register System; Computer Hardware and Software; Sound System

You must purchase, use and maintain a computerized point of sale cash collection system (including a POS System network router and software) (the “**POS System**”), and a back office computer and printer, including all related hardware and software, and a sound system, each as specified in the Manuals or otherwise by us in writing for your Zero Degrees Restaurant. 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 online orders of Zero Degrees products and services at your Zero Degrees Restaurant and to accept and process Zero Degrees gift cards sold in other Zero Degrees Restaurants. In addition, you must purchase, lease or license all computer hardware and software designated by us for your Zero Degrees Restaurant at your expense. During the term of your Franchise Agreement, you must maintain and update all computer hardware and software as required by us. (**Franchise Agreement, Section 8.3**).

It will cost you approximately \$3,000 to \$5,000 to buy the POS System and software listed in the foregoing paragraph for your Zero Degrees Restaurant. You must purchase the POS System designated by us. You must upgrade the POS System if we instruct you to do so.

Coupons and Discounts.

You may not create or issue any gift certificates or gift cards and may only sell gift certificates or gift cards that we have issued or approved. You must participate in all gift certificate and/or gift card administration programs we have designated from time to time. You must honor all coupons, gift certificates, gift cards and other programs or promotions as we direct. You may not issue coupons or discounts of any type for use at your Zero Degrees Restaurant, except for those approved by us in writing, which approval we may withhold in our discretion. (**Franchise Agreement Sections 8.23**).

Internet

We have registered the Internet domain name www.ZeroDegreesCompany.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 any Zero Degrees Marks, or any other words, symbols or terms confusingly similar to any Zero Degrees Marks without our express prior written consent. We may include on our Internet web site interior pages that identify all Zero Degrees Restaurants, including your Zero Degrees Restaurant. (**Franchise Agreement Sections 11.7 and 11.8**).

We have the sole right to market on the Internet and use the Zero Degrees 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 a domain name containing any Zero Degrees Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using any Zero Degrees 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 Zero Degrees 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 2.2.4 and 11.7**).

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 8.17**).

Zero Degrees Marketing Fund

You must pay us a Marketing Fee of 2% of the Gross Sales of your Zero Degrees Restaurant (the “**Marketing Fee**”). Marketing Fund is 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. (**Franchise Agreement, Section 11.1**).

The Marketing Fund is intended to maximize general public recognition and acceptance of the Zero Degrees Marks for the benefit of the Zero Degrees System. The administrator, selected by us, 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. (**Franchise Agreement, Section 11.1.1**).

Your contributions to the Marketing Fund will be held in an account separate from our other funds. Your contributions to the Marketing Fund will not be used to defray any expenses of ours or the administrator's, except for costs and overhead, if any, as each may incur, such as the costs of personnel for creating and implementing advertising, 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 any money from the Marketing Fund for advertising that is principally a solicitation for the sale of franchises. (**Franchise Agreement, Section 11.1.3**).

Local Advertising

You must spend 1% of the Gross Sales of your Zero Degrees Restaurant for local advertising. All advertising must meet our specifications in our Manuals. You must submit to us before use, samples of all local advertising materials, and descriptions of all local advertising programs, not prepared or previously approved by us, for our approval. You may not use any advertising material or program or use the Zero Degrees logo or any Zero Degrees Marks in any public manner without our prior written approval. (**Franchise Agreement, Section 11.2**).

Additionally, you must pay us \$350 per month to set up and manage your local Facebook and Yelp pages. This amount goes towards your 1% requirement to spend on local advertising.

Promotional Campaigns

We may conduct promotional 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 Zero Degrees Restaurant is located. (**Franchise Agreement, Section 11.5**).

Initial Training Program

We will provide an Initial Training Program in the Zero Degrees System and methods of operation (the “**Initial Training Program**”) at your Franchised Location, for up to 2 persons selected by you who must include the Operating Partner and General Manager for a Initial Training Fee of \$15,000. You will additionally pay \$8,000 to us for travel, lodging, and food expenses for 5 trainers. If you send more than 2 people to the Initial Training Program, you must pay the Additional Training Fee set forth in Item 6. You must attend and complete the Initial Training Program to our satisfaction. If the Zero Degrees Restaurant is the first Zero Degrees Restaurant to be operated by you, we will provide training, instructors, a training manual, and other materials at no charge to you. The Initial Training Program will consist of approximately 10 days of training that must be completed before the Zero Degrees Restaurant opens for business. You must pay all travel, living, compensation, and other expenses incurred by you to attend the Initial Training Program. We will not provide the Initial Training Program if you or your affiliate currently owns or operates a Zero Degrees Restaurant or if the Franchise Agreement is executed as a renewal Franchise Agreement. (**Franchise Agreement, Section 6.1**).

INITIAL TRAINING PROGRAM

SUBJECT	DAYS	HOURS	HOURS ON THE JOB TRAINING	LOCATION
ORIENTATION (supervisor) KITCHEN MANAGEMENT ROLES & RESPONSIBILITIES PREPPING EMPLOYEE HANDBOOK POLICIES & GUIDELINES HEALTH INSPECTION DRINKS, FOOD, COFEE, TEA SIGNATURE DRINKS ONE-ON-ONE TRAINING ROLE PLAY KNOWLEDGE & PRACTICAL TEST GRAND OPENING EVALUATION	10	8-12	144	Restaurant operated by Franchisor

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Initial Store Set Up	2	4	Franchisee location
Employee Orientation	0	2	Franchisee location
Team Member & Kitchen Training	0	20	Franchisee location
Soft Opening	0	55	Franchisee location
Supervisor Training	0	55	Franchisee location
Manager Training	0	55	Franchisee location
Grand Opening	0	28	Franchisee location
Team Exit Planning (Evaluation & Troubleshooting)		2	Franchisee location
Total Hours:	2	221	

The primary instructional material for the Initial Training Program will be the Manuals. There will be no additional charge for training material, which may include videos. The Initial Training Program will be supervised by San Huynh, who has 13 years experience in the subjects covered by the Initial Training Program and whose experience is described in Item 2 of this Disclosure Document. Training will be conducted as often as necessary to ensure that franchisees complete training before their Zero Degrees Restaurant opens for business.

Your Operating Partner 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, Section 8.2**). We may allow you to retake the Initial Training Program in our sole and absolute discretion.

You must pay expenses of travel, lodging, meals and wages incurred by you and your employees while attending any of our training programs.

Additional Training Program

In our discretion, we may provide you or your Operating Partner and each General Manager, with additional training programs (“**Additional Training Programs**”). You must pay us our then-current daily fee each of our representatives that provides the Additional Training Programs to defray our direct costs of providing the Additional Training Programs. In addition, 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**).

Annual Franchisee Conference

We may hold an Annual Franchisee Conference for all Zero Degrees franchisees each year. The Operating Partner and each General Manager must attend the Annual Franchisee Conference. You must pay us a Franchisee Conference Fee to reimburse us for a portion of the direct costs to provide the Annual Franchisee Conference. You must pay the Franchisee Conference Fee upon demand at 30 days before the date of the Annual Franchisee Conference, whether or not you attend the Annual Franchisee Conference. (**Franchise Agreement, Section 8.22**).

ITEM 12 TERRITORY

Franchise Agreement

You will be permitted to operate your Zero Degrees Restaurant 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 or competitive brands 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 Zero Degrees Restaurants near the proposed new location. You may face competition from other Zero Degrees Restaurants that we or our affiliate franchise or own and that operate at traditional sites.

You are not granted a minimum territory, and there are no radius restrictions or minimum population requirements that limit where we can franchise or operate another Zero Degrees Restaurant. You may not relocate your Zero Degrees Restaurant to any other location without our prior written consent. If you request a relocation of your Zero Degrees Restaurant, you must pay us for reasonable out-of-pocket expenses to inspect and approve your new location, including for travel, lodging, and food, and de-identify the former location. If you fail to de-identify your former Zero Degrees Restaurant, you must reimburse and indemnify and hold us harmless from all costs and expenses, including attorney's 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: (a) develop, own and operate, and to grant franchises to third parties to develop, own and operate, as applicable, Zero Degrees Restaurants at any location regardless of their proximity to your Zero Degrees Restaurant; (b) develop, own and operate, and to grant franchises to third parties to develop, own and operate, as applicable, any other business, including a beverage and snack or food business, other than a competitive business, under marks and systems different from the Zero Degrees Marks and the Zero Degrees System at any location regardless of their proximity to your Zero Degrees Restaurant; (c) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Zero Degrees branded products at any location, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; and (d) market on the Internet and use the Zero Degrees 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. We are not required to pay you any compensation if we exercise any of the rights specified above.

No restrictions exist on us or any of our franchisees as to the areas from which they may solicit or accept business and we and all of our franchisees are free to advertise or solicit business from any area desired.

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 Zero Degrees Restaurants 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 Zero Degrees Restaurants at venues in a specified Development Area, subject to our approval. 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 Zero Degrees Restaurant in your Development Area.

You will not receive an exclusive territory. We expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to: (a) develop, own and operate, and to grant franchises to third parties to develop, own and operate, as applicable, Zero Degrees Restaurants outside the Development Area, regardless of their proximity to the Development Area; (b) develop, own and operate, and to grant franchises to third parties to develop, own and operate, as applicable, any other business, including a beverage and snack or food business, other than a competitive business, under marks and systems different from the Zero Degrees Marks and the Zero Degrees System within and outside the Development Area; (c) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Zero Degrees branded products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; (d) market on the Internet and use the Zero Degrees 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 (e) own or operate and to franchise or license others to own or operate Zero Degrees Restaurants at any Non-Traditional Venue within and outside of the Development Area regardless of their proximity to any Zero Degrees Restaurants 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. “**Non-Traditional Venues**” mean a broad variety of atypical sites, including a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings including office buildings and business complexes, arenas, stadiums and entertainment venues, health clubs and recreational facilities, airports, train stations, toll road facilities and other transportation terminals and related facilities, educational, medical, governmental and other types of institutional facilities, shop-in retail locations or shop-in-store (for example, a cafe within a grocery store), food courts operated by a master concessionaire and any site for which the lessor, owner or

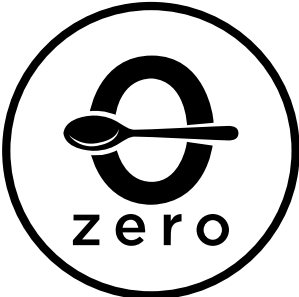
operator limits the operation of its beverages and/or food service facilities to a master concessionaire or contract food service provider.

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, or commit a breach of any Franchise Agreement signed by you under the Area Development Agreement, or a breach of any other agreement between you and us, we may terminate your right to develop, open and operate new Zero Degrees Restaurants in the Development Area. The termination of your right to develop Zero Degrees Restaurants 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 Zero Degrees Restaurants 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 Zero Degrees Restaurants in the Development Area, you must notify us in writing within 180 days 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 Zero Degrees Restaurants 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 “Zero Degrees”, and the marks using it, during the term of your Franchise Agreement and only for the operation of your Zero Degrees Restaurant and the sale of products described on the Zero Degrees standard menu. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us or our affiliate. Franchisor is the owner of all rights, titles and interests in the Zero Degrees Marks and has received registration of the following mark in the U.S. Patent and Trademark Office (“**USPTO**”):

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	5532794	May 22, 2018

Zero Degrees Westminster is the original registrant, and ownership of the registration was assigned to us on March 19, 2019. We plan to file all required affidavits to keep the registrations in effect.

There are no currently effective material determinations of the Patent and Trademark Office, 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 Zero Degrees or the licensed marks. On January 15, 2018, Zero Degrees Westminster, entered into a Letter of Consent with 0Zero Worldwide a California limited liability company (“**0Zero**”), pursuant to which both parties consented to the other party’s use of the word mark “**Zero Degrees**”. Under the Letter of Consent Agreement, **0Zero** agreed that it will not at any time use the trademark **Zero Degrees** in connection with the sale of snack food items and beverages or restaurant services. In addition, **0Zero** no longer operates an coffee shop, restaurant, and/or tea bar. We are not a party to any other 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 Zero Degrees Marks. We are not aware of anyone who are using “**Zero Degrees**” as a trademark or service mark. There may be similar uses to the Zero Degrees Marks of which we are unaware, which could arise from prior users.

You must use the trade name Zero Degrees without any suffix or prefix attached to it to identify your Zero Degrees Restaurant. You are prohibited from using our trade name, trademarks, or service marks as part of any corporate name or using the Zero Degrees trade name with any prefix, suffix, or other modifying words, terms, designs, or symbols. You are obligated to file a fictitious business name statement required by us and do all other things necessary to prevent the use of the Zero Degrees 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 any Zero Degrees Marks which 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 Zero Degrees Marks but we are not obligated by this Disclosure Document or the Franchise Agreement to do so.

We and our affiliate have the sole right to control any litigation involving our trade name or the Zero Degrees Marks and to compromise or settle any claim, in our discretion, at our sole cost and expense, using lawyers of our 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 not to contest, directly or indirectly, our ownership, right, title, or interest in the Zero Degrees Marks, or contest our sole right to register, use, or license others to use those names and the Zero Degrees Marks

We may add to, delete, or modify any or all of the Zero Degrees Marks or use of the Zero Degrees Marks, at your expense, if we modify or discontinue it.

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 Zero Degrees Restaurant. 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 Agreement or Area Development Agreement.

We regard our recipes, our particular method of producing our drink items and food products and operating a Zero Degrees Restaurant, and all the information contained in the Manuals, as confidential and proprietary information owned by us. You agree not to contest our exclusive ownership of the copyrights, trade secrets, recipes, ingredients, processes, methods, methodologies, procedures, formulae, techniques, and other proprietary or confidential information to which we or any of our affiliates claim exclusive rights or ownership rights. You are not given any rights in any other trade secrets or proprietary or confidential information that may be conceived, created or developed by us or any of our affiliates in the future. You must implement any reasonable procedures we may adopt to protect our trade secrets and confidential information, including restrictions on disclosures to your employees and requiring employees who will have access to our trade secrets or confidential information to sign agreements containing non-disclosure, non-use and non-competition provisions.

There are no prior superior rights or infringing uses actually known to us that could materially affect your use of the copyrights described above. We are not a party to any agreements currently in effect that limit our rights to use or license the above- mentioned copyrights in any manner.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate an Operating Partner acceptable to us who will be responsible for the operational decisions of your Zero Degrees Restaurant. Your Operating Partner must devote his or her full time to the Zero Degrees Restaurant and must own at least 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 manager 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 General Managers and other employees and ensure that the Zero Degrees Restaurant is at all times under the direct control of the Operating Partner or a General Manager and other employees fully trained by you. You, your Operating Partner and each General Manager must successfully complete the ServSafe Food Safety Certification Program. We may require each of your owners and employees who have access to any confidential information to sign a Confidentiality and Non-Disclosure Agreement in a form acceptable to us.

The Zero Degrees Restaurant must, at all times, be directly supervised by the Operating Partner 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.

All present and future owners of the equity or your voting rights, including spouses (and family members who live in the same household) 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.

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. There are no limits on our right to make changes. You must obtain our prior written approval for any other products or service to be sold by you, and we may initially approve it for testing purposes only. All proposals approved by us will become our property.

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 Zero Degrees Restaurants. **“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 Zero Degrees Restaurant.

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

A primary feature of the Zero Degrees Restaurant and System is that only quality ingredients which meet the System's specific specifications and ingredients will be sold to the public and that a failure to do so will not meet our customer's expectations. You must never sell any food or beverage product at your Zero Degrees Restaurant that contains ingredients which were not purchased from an Approved Supplier and which does not meet our specifications. Your personal commitment to this obligation is an essential factor in being approved as a Zero Degrees franchisee.

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	Ten (10) years
b. Renewal or extension of the term	Section 3.2	Two (2) five-year terms
c. Requirements for Franchisee to renew or extend	Section 3.3	You must have complied with your obligations during the term of your Franchise Agreement; at our request, renovate or modernize your Zero Degrees Restaurant to comply with our then-current standards for a new Zero Degrees Restaurant; 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 and sign a general release. 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
f. Termination by Franchisor with cause	Sections 17.1-17.3 and 17.5	We can terminate the Franchise Agreement if you 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 17.3	You have five (5) days to cure non-payment of fees and ten (10) days to cure non-compliance with laws and defaults not listed in Section 16.2.
h. “Cause” defined non-curable defaults	Sections 17.1-17.3 and 17.5	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 ten (10) days after notification of

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
		noncompliance, to comply with any state or local law or regulation applicable to the operation of the Zero Degrees Restaurant; knowingly maintaining false books or records or submitting false reports or knowingly underreporting gross sales; materially misusing any Zero Degrees Marks; making an unauthorized use of any trade secrets or confidential information; failing to purchase appropriate inventory; 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/no renewal	Sections 18.1 - 18.5, 18.8 and 18.9	You must cease use of our trademarks, de-identify the Zero Degrees Restaurant, pay all amounts due to us, and return the Manuals. You must pay us the sum of two (2) multiplied by the total Royalty Fees paid (or if unpaid, payable) by you during the twelve (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 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 Zero Degrees Restaurant. 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 Zero Degrees Marks. See also "r" below.
j. Assignment of contract by Franchisor	Section 15.1	No restriction on our right to assign.
k. "Transfer" by Franchisee - definition	Section 15.2	Includes transfer of the agreement or change in ownership of the business entity which owns it.
l. Franchisor's approval of transfer by Franchisee	Section 15.2	Transfers require our prior written consent.
m. Conditions for	Sections 15.2-15.4	The proposed transferee must qualify,

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
Franchisor's approval of transfer		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) and you must be in good standing, sign a general release 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 option to purchase Franchisee's business	Section 15.3	We can match any offer for your business.
o. Franchisor's option to purchase Franchisee's business	Section 18.6	When your Franchise Agreement expires or is terminated, we have the option to purchase the assets of the Zero Degrees Restaurant and all of your assets related to the Zero Degrees Restaurant.
p. Death or disability of Franchisee	Section 15.5	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 16.2	You are prohibited from: (i) diverting any present or prospective Zero Degrees customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with any Zero Degrees Marks or the Zero Degrees System, (ii) employing or seeking to employ any person who is or has been within the previous 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 Zero Degrees Restaurant business.

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	Section 16.3	For two (2) years following the expiration or termination of your Franchise Agreement, you cannot own or have any interest in a competitive business within twenty (20) miles of any Zero Degrees Restaurant. If you violate the post-term covenant not to compete, you must pay us, throughout the two (2) year period following the termination, transfer, or expiration of your Franchise Agreement, 5% of the gross revenue of any business which provides similar services or products.
s. Modification of the agreement	Section 6.3	The Manuals are subject to change. You must comply with any changes set forth in the Manuals.
t. Integration/merger clause	Section 22.5	Only the terms of the Franchise Agreement and its attachments are binding (subject to applicable state law). No other representations or promises will be binding. Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution	Section 20.1	We must first attempt to resolve all disputes first by face-to-face good faith negotiations in Orange County, California. If the parties cannot come to a resolution, then parties agree to mediation in Orange County, California. If the mediation is not successful, the parties agree to arbitrate in Orange County, California.
v. Choice of forum	Section 20.2	All proceedings will be held in Orange County, California, subject to applicable state law. See the State Specific Addenda (Exhibit H) attached to this Disclosure Document.
w. Choice of law	Section 20.2	California, subject to the exception provided in Section 20.2 of the Franchise Agreement and

PROVISION	SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)	SUMMARY
		applicable state law. See the State Specific Addenda (Exhibit H) attached to this Disclosure Document.

AREA DEVELOPMENT AGREEMENT

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
a. Length of the term of the Area Development	Section 3.1	Five (5) years or when you sign a Franchise Agreement for your last Zero Degrees Restaurant necessary to fully satisfy your Development Obligation, whichever is earlier
b. Renewal or extension of the term	Section 3.2	You have no right to extend or renew the Area Development Agreement
c. Requirements for Area Developer to renew or extend	Not Applicable	Not Applicable
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”	Sections 11.2 and 11.5	We can terminate the Area Development Agreement if you default under your Area Development Agreement, an individual Franchise Agreement, or any other agreement between you or your affiliate and us.
g. “Cause” defined – curable defaults	Section 11.3	You have thirty (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 or 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.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
i. Area Developer's obligation on termination/non-renewal	Section 12.1	You will have no further right to develop or operate additional Zero Degrees Restaurants 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 Zero Degrees Restaurants under then validly existing Franchise Agreements.
j. Assignment of contract by Franchisor	Section 9.1	No restrictions on our right to assign.
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 Zero Degrees Restaurants then developed or under development. The proposed transferee must qualify as a franchisee and sign our then-current Area Development Agreement and you must be in good standing, sign a general release 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.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
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 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 13.2	You are prohibited from: (i) diverting any present or prospective Zero Degrees customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the Zero Degrees Marks and the Zero Degrees System, (ii) employing or seeking to employ any person who is or has been within the previous thirty (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 Zero Degrees Restaurant business.
r. Non-competition covenants after the franchise is terminated or expires	Section 13.3	For two (2) years following the expiration or termination of your Area Development Agreement, you cannot own or have any interest in a competitive business within 20 miles of any Zero Degrees Restaurant.
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 are binding (subject to applicable state law). No other representations or promises will be binding. Any representations or promises outside of the Disclosure Document and Area Development Agreement may not be enforceable.
u. Dispute resolution	Section 15.1	We must first attempt to resolve all disputes first by in person good faith negotiations. If the parties

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT (EXHIBIT B)	SUMMARY
		cannot come to a resolution, the parties agree to mediation in Orange County, California. If mediation is not successful, the parties agree to arbitrate in Orange County.
v. Choice of forum	Section 14	Orange County, California, subject to state law.
w. Choice of law	Section 14	California, subject to state law.

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 Zero Degrees Restaurant or the endorsement or recommendation of the Zero Degrees Restaurant 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 Zero Degrees Italian Ice, Inc.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not 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 Ken Le, (714) 803-3628, E. La Palma Avenue #E, Anaheim, California, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

SYSTEM-WIDE SUMMARY FOR FISCAL YEARS 2016 to 2018

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2016	0	0	0
	2017	0	5	+5
	2018	5	20	+20
Company- Owned ¹	2016	2	3	+1
	2017	3	8	+5
	2018	8	8	+0
Total Outlets	2016	2	3	+1
	2017	5	13	+8
	2018	13	33	+20

¹ As of Fiscal Year End 2018, our affiliates, Zero Degrees Italian Ice, LLC, TPP Investment LLC, Zero Degrees X, LLC, and JSW Restaurant Group LLC collectively own 8 Zero Degrees Restaurant locations in California.

TABLE NO. 2

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
FOR FISCAL YEARS 2016 to 2018**

STATE	YEAR	NUMBER OF TRANSFERS
Total Outlets	2016	0
	2017	0
	2018	1

**TABLE NO. 3
STATUS OF FRANCHISED OUTLETS FOR
FOR FISCAL YEARS 2016 TO 2018**

STATE	YEAR	OUTLETS AT START OF THE YEAR	OUTLETS OPENED	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS	OUTLETS AT END OF YEAR
Arizona	2016	0	0	0	0	0	0
	2017	0	1	0	0	0	1
	2018	1	3	0	0	0	4
California	2016	0	0	0	0	0	0
	2017	0	1	0	0	0	1
	2018	1	2	0	0	0	3
Oregon	2016	0	0	0	0	0	0
	2017	0	2	0	0	0	2
	2018	0	0	0	0	0	0
Texas	2016	0	0	0	0	0	0
	2017	0	2	0	0	0	2
	2018	2	9	0	0	0	11
Totals		4	20	0	0	0	24

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR FISCAL YEARS 2016 TO 2018

STATE	YEAR	OUTLETS AT START OF THE YEAR	OUTLETS OPENED	NON- RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS	OUTLETS AT END OF YEAR
California	2016	1	1	0	0	0	2
	2017	2	2	0	0	0	4
	2018	4	4	0	0	0	8
Totals		N/A	N/A	N/A	N/A	N/A	N/A

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2018

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	PROJECTED AREA DEVELOPERS IN THE NEXT FISCAL YEAR
Arizona	1	2	0	0
California	0	5	1	0
Colorado	2	1	0	0
Florida	1	1	0	0
Lousiana	3	0	0	0
Nevada	1	2	0	0
Oregon	1	1	0	0
Texas	21	5	0	1
Totals	30	17	1	1

There are no independent franchisee organizations that have asked to be included in this Disclosure Document.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Zero Degrees Italian Ice, Inc.. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

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

Franchisees Who Ceased To Do Business in Last Fiscal Year or have not communicated within the last 10 weeks from the date of this Disclosure Document:

Lam Luong
LT Degrees Inc.
9284 Dover Landing Court
Las Vegas, NV 89123
702-629-0404
Lamluong6868@gmail.com

John Rhee
310-925-3850
jr@lussoautodesign.com
1241 American Pacific Drive Suite 154
Henderson, NV 89074

ITEM 21 FINANCIAL STATEMENTS

Attached to this Disclosure Document as **Exhibit J** are our current audited Financial Statements, for the date ending December 31, 2018.

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 Personnel of Franchisee.

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

ITEM 23 RECEIPTS

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

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