zero	ZERO DEGREES ITALIAN ICE, INC. D/B/A ZERO DEGREES A California Corporation 3921 E La Palma Avenue Anaheim, California 92807 714-803-3628 www.zerodegreescompany.com

Zero Degrees Italian Ice, Inc., a California corporation, 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. The total initial investment necessary to begin operations of three (3) to four (4) Zero Degrees Restaurants under an Area Development Agreement ranges from approximimately $458,500 to $653,500. This includes the $135,000 to $180,000 franchise feethat must be paid to us.

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 _______________.

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit I includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Zero Degrees Restaurant business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be Zero Degrees franchisee?	Item 20 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **OUT-OF-STATE DISPUTE RESOLUTION.** 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. **SPOUSAL CONSENT.** 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

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

See the Next Page for State Effective Dates

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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

EXHIBITS

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 Zero Degrees X, LLC, a California limited liability company, was formed on December 20, 2015, and operates one (1) ZERO DEGREES Restaurant under the name "Zero X" located at at 3560 West Temple Avenue, Pomona, California 91768. 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 2 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.

DIRECTOR OF BUSINESS DEVELOPMENT **Vu Le**

Vu Le has been the Director of Business Developmoent since May 2017. He is responsible for exploring new territories, execute design team plans, introducing franchisee to the vendors, assisting the franchisee in set up, and providing construction updates to Zero Degrees. Prior to joining Us, Mr. Le was in quality control for NBTY, a health supplement manufacturer in Garden Grove, California from 2007.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

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 FEES[1]

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 plus 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.
Intitial 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 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 abosolute 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.
Indemnificatio n	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 LOW	AMOUNT HIGH	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
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 Total[12]	**$411,500**	**$582,500**			

AREA DEVELOPMENT AGREEMENT (MININUM 3 RESTAURANTS)
YOUR ESTIMATED INITIAL INVESTMENT (3 to 4 RESTAURANTS)

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Investment 1st Unit[14]	$411,000	$582,500	See Above	See Above	See Above
Development Fees[10]	$45,000	$67,500	Cash	At Signing	Us
Additional Legal Fees[8]	$2,000	$3,500	Cash	As Incurred	Legal
Grand Total[12]	**$458,000**	**$653,500**			

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 expediter, 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 apporovals 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, fixturization, 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, non 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 siate 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 Retaurant 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.

<u>Before Opening</u>

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 L. 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, lodgining, 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 14 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. Franchsor 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. One 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 Suppler 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 negotiatons 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 prson 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 2020

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	26	+21
	2019	26	39	+13
	2020	39	41	+2
Company-Owned[1]	2016	2	5	+3
	2017	5	8	+3
	2018	8	9	+1
	2019	9	5	-4
	2020	5	2	-3
Total Outlets	2016	2	5	+3
	2017	5	13	+8
	2018	13	35	+22
	2019	35	44	+9
	2020	44	43	-1

[1] As of Fiscal Year End 2020, our affiliates, Zero Degrees Italian Ice, LLC, TPP Investment LLC, and Zero Degrees X, LLC collectively own 2 Zero Degrees Restaurant locations in California.

TABLE NO. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS FOR FISCAL YEARS 2016 to 2020

STATE	YEAR	NUMBER OF TRANSFERS
Arizona	2016	0
	2017	0
	2018	0
	2019	0
	2020	0
Colorado	2016	0
	2017	0
	2018	0
	2019	0
	2020	0
Florida	2016	0
	2017	0
	2018	0
	2019	0
	2020	0
Nevada	2016	0
	2017	0
	2018	0
	2019	0
	2020	1
Oregon	2016	0
	2017	0
	2018	0
	2019	1
	2020	1
Texas	2016	0
	2017	0
	2018	0
	2019	1
	2020	4
Louisianna	2016	0
	2017	0
	2018	0
	2019	0
	2020	0
Total Outlets	2016	0
	2017	0
	2018	0
	2019	2
	2020	6

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS FOR
FOR FISCAL YEARS 2016 TO 2020

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
	2019	4	0	0	0	1	3
	2020	3	0	0	0	0	3
California	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Colorado	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
	2019	0	1	0	0	0	1
	2020	1	1	0	0	0	2
Florida	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	2	0	0	0	2
	2019	2	2	0	0	0	4
	2020	4	0	0	0	0	4
Nevada	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	2	0	0	0	2
	2019	2	1	0	0	1	2
	2020	2	0	0	0	0	2
Oregon	2016	0	0	0	0	0	0
	2017	0	2	0	0	0	2
	2018	2	0	0	0	0	2
	2019	2	1	0	0	0	3
	2020	3	0	0	0	0	3
Texas	2016	0	0	0	0	0	0
	2017	0	2	0	0	0	2
	2018	2	14	0	0	0	16
	2019	16	12	0	0	2	26
	2020	26	2	0	0	4	24
Louisianna	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	2	0	0	0	2

Outlet Totals 2016-2020	**2016**	**0**	**0**	**0**	**0**	**0**	**0**
	2017	**0**	**5**	**0**	**0**	**0**	**5**
	2018	**5**	**21**	**0**	**0**	**0**	**26**
	2019	**26**	**17**	**0**	**0**	**4**	**39**
	2020	**39**	**5**	**0**	**0**	**3**	**41**

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR FISCAL YEARS 2016 TO 2020

STATE	YEAR	OUTLETS AT START OF THE YEAR	OUTLETS OPENED	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS	OUTLETS AT END OF YEAR
California	2016	2	3	0	0	0	5
	2017	5	3	0	0	0	8
	2018	8	1	0	0	0	9
	2019	9	0	0	0	4	5
	2020	5	0	0	0	3	2
Totals	2016	2	3	0	0	0	5
	2017	5	3	0	0	0	8
	2018	8	1	0	0	0	9
	2019	9	0	0	0	4	5
	2020	5	0	0	0	3	2

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2020

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	1	0	0
California	0	2	1	0
Colorado	2	2	0	0
Florida	0	0	0	0
Lousiana	1	1	0	0
Nevada	0	1	0	0
Oregon	0	1	0	0
Texas	11	3	0	0
Totals	15	11	1	0

LIST OF CURRENT FRANCHISEES AS OF THE LAST FISCAL YEAR

ARIZONA

KD Tran LLC
Karen Nguyen
7480 W Bell Road #108
Glendale, AZ 85308
(623) 773 – 0956
Karen@zerodegreescompany.com

Cool Drink LLC
Naiping King
1649 South Stapley Drive Suite 107
Mesa, AZ 85204
(480) 474 – 4083
naiping@zerodegreescompany.com

MY IVY, LLC
Hung Dinh
Ivy Tran
2000 East Rio Salado Parkway, Suite 1069
Tempe, Arizona 85281
(480) 247 – 7540
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COLORADO

Sweet Bubble Tea, LLC
Thao Ho
13650 E Colfax Ave.
Aurora, CO 80011
(720) 391-8561
thao@zerodegreescompany.com

The Hau Group CO
Dan Hau
1390 S Colorado Blvd Ste 140
Denver, CO 80222
(720) 503-6222
Dan@zerodegreescompany.com

FLORIDA

HH Desserts LLC
Heidi Tran
5282 West Colonial Drive
Orlando, FL 32808

(407) 487 – 4597
Heidi@zerodegreescompany.com

Kryptic Management LLC
Sonny Adcock Winton
1700 West Sand Lake Road Suite D123B
Orlando, FL 32809
(407) 270 – 5164
sonny@zerodegreescompany.com

A&M Desserts, LLC
Anhkhang (Kevin) Truong
8560 Stirling Road
Davie, FL 33024
(503) 709-7912
kevin@zerodegreescompany.com

Tommy Ho
6716 Forest Hill Blvd.
Greenacres, FL 33413
(561) 329-0306
tommy@zerodegreescompany.com

NEVADA

Zerolv LLC Kevin Lee4001 S Decatur Blvd
Las Vegas, NV 89103
(702) 570-6098
kevinlee@zerodegreescompany.com

LVZD Growth, LLC
Vivian Tran
3585 S Fort Apache Road
Summerlin, NV 89147
(702) 653-5056
Vivian@zerodegreescompany.com

OREGON

LCTK II LLC
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1315 NW 185th Avenue
Beaverton, OR 97006
(503) 531 – 8308
Long@ZeroDegreesCompany.com

Zero Degrees Portland LLC Hieu Tran8220 SE Harrison Street Suite 3
Portland, OR 97006

(971) 401-9307hieunguyen@zerodegreescompany.com
Ricky Signh1777 Coburg Road
Eugene, OR 97401
(510) 828-5331Ricky@zerodegreescompany.com

TEXAS

HD CUP, INC
Hung Dang
1807 North Collins Street
Arlington, TX 76011
(817) 966 – 9376
HDang@zerodegreescompany.com

HD CUP, INC
Hung Dang
3166 S State Highway 161
Grand Prarie, TX 75052
(817) 966 – 9376
HDang@zerodegreescompany.com

VNG Group Inc
Vinh Nguyen
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vinh@zerodegreescompany.com

VNG Group Inc
Vinh Nguyen
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vinh@zerodegreescompany.com

Phat Dang Inc. LLC
Dung Van
11510 Barker Cypress Road Suite 100
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Dessert Station LLC
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Frisco, TX 75034
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Keith@zerodegreescompany.com

AKMS LLC
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(404) 290-6973hasan@zerodegreescompany.com
Zero Degrees Texas LLC
Dat Nguyen
2570 Pearland Pkwy, Suite 130
Pearland, TX 77582
(281) 741 - 2198
dat@zerodegreescompany.com

Wimart LLC Diem Nguyen6320 Garth Road
Baytown, TX 77521
(832) 858-6742zerodegreesbaytown@gmail.com

Van Dynasty, LLC
Oanh Nguyen
6927 Farm to Market 1960 Road W Unit H
Houston, TX 77069
(281) 919 - 1388
Oanh@Zerodegreescompany.com

Uncle and Nephews Investments LLC
Edward Dang9473 FM 1960 Bypass Rd W, Suite 300
Humble, TX 77338
(832) 403-1992edward@zerodegreescompany.com
Pham & Le Investment LLC John Le1525 Lake Pointe Pkwy, Suite 400
Sugar Land, TX 77478
(832) 716-4902zerodegreessugarland@gmail.com

D & T LLC
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Katy, TX 77450
(281) 676 – 8618
Diana@zerodegreescompany.com

Jingjiu Catering LLC
Zhi Chao Qiu (Able)
2301 N Central Expressway
Plano, TX 75075
(832) 270-7198
able13205911992@gmail.com

20eighteen Inc.
Ngan Truong
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San Antonio, TX 78216
(210) 368 - 2275
ngantruong@zerodegreescompany.com

Amanda Thanh Nguyen LLC
Amanda Nguyen
11401 Broadway St. Suite 101
Pearland, TX 77584
(713) 474 - 5730
amanda@zerodegreescompany.com

Davin Patel
2515 Inwood Road
Dallas, TX 75235
(940) 300-0041
davin@zerodegreescompany.com

Lilala Land Corporation
Lang Nguyen
1111 Spencer Hwy
South Houston, TX 77587
(713) 480-7453
lang@zerodegreescompany.com

Lilala Land Corporation
Lang Nguyen
4440 N Fwy
Houston, TX 77022
(713) 480-7453
lang@zerodegreescompany.com

Phoebe Vo
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(210) 689-3675
phoebe@zerodegreescompany.com

TATTV LLC
Cody Pham
18010 Bulverde Road
San Antonio, TX 78259
(210) 689-3675
cody@zerodegreescompany.com

PHD BRO INC
Dung Nguyen
1051 N State Hwy 360 Suite 107
Mansfield, TX 76063
(817) 896-7425
Dungnguyen@zerodegreescompany.com

EAAT Restaurant Group LLC
Ethan Huynh
800 W Whitestone Blvd, Suite B-5
Cedar Park, TX 78613
(512) 879 - 7887
Ethan@zerodegreescompany.com

EAAT Restaurant Group LLC
Ethan Huynh
4211 South Lamar Blvd A3
Austin, TX 78704
(512) 879 - 7887
Ethan@zerodegreescompany.com

LOUISIANA

Zero Degrees BR LLC
Nick Tran
3260 Highland Rd
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(281) 777 – 1701
Nick@zerodegreescompany.com

Zero Degrees BR LLC
Nick Tran
114 Meadow Farm Rd, Ste 110,
Lafayette, LA 70508
(281) 777 – 1701
Nick@zerodegreescompany.com

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.
4001 S Decateur Blvd.
Las Vegas, NV 89103
702-629-0404
Lamluong6868@gmail.com

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

Ky Nguyen
QTNG Synergy LLC
2115 Interstate 45
Spring, TX 77388
346-268-8838
97quang@gmail.com

Jade Nguyen
Tomball Thirst LLC
14245 Fm 2920 Road
Tomball, TX 77377
832-417-6983
jade@zerodegreescompany.com

L Spotlight LLC
Jin-Li Lao
1777 Coburg Road
Eugene, OR 97401
(503) 860-2238
Jenny@zerodegreescompany.com

Cowsins LLC
Johnny Hua
2626 N Josey Lane Suite #107
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(469) 289 - 0484
Johnny@zerodegreescompany.com

Cowins LLC
Johnny Hua
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(469) 289 - 0484
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Zero Degrees Texas LLC
Dat Nguyen
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(281) 741 - 2198
dat@zerodegreescompany.com

Zero Degrees Texas LLC
Dat Nguyen
6320 Garth Road
Baytown, TX 77521
(281) 741 - 2198
dat@zerodegreescompany.com

PhuongMinh Dessert Inc.
Phuonganh Conghuyen
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Houston TX 77037
(832) 630-1966
phuonganh@zerodegreescompany.com

Uncle and Nephews Investments LLC
Toan Pham
1525 Lake Pointe Pkwy, Suite 400
Sugar Land, TX 77478
(832) 652-1179
vinh@zerodegreescompany.com

Fairwater Partners LLC
Willis Sang
100 S Central Expressway Suite 52
Richardson, TX 75080
(214) 643 - 6545
dianaseng@zerodegreescompany.com

2A2B Investments LLC
Brian Hyde
800 W Whitestone Blvd., Ste. B5
Cedar Park, TX 78613
(346) 303-7723
brian@zerodegreescompany.com

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as **Exhibit J** are our current audited Financial Statements, for the date ending December 31, 2020.

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.

[Remainder of Page Intentionally Left Blank]

EXHIBIT A

FRANCHISE AGREEMENT AND ATTACHMENTS

ZERO DEGREES ITALIAN ICE, INC.
FRANCHISE AGREEMENT

<u>**EXHIBITS**</u>

ZERO DEGREES ITALIAN ICE, INC.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the **"Agreement**") is made and entered into as of ______________ (the "**Effective Date**"), by and between **ZERO DEGREES ITALIAN ICE, INC.**, a California corporation ("**Franchisor**"), on the one hand, and __________________________, a ________________________________ ("**Franchisee**"), on the other hand, who are individually referred to in this Agreement as a "**Party**", and collectively referred to in this Agreement as "**Parties**". Capitalized terms used but not defined within the context of this Agreement are defined in Article 1.

RECITALS

A. Franchisor and Franchisor's Affiliates have developed and continue to develop the Zero Degrees System for the establishment and operation of one or more Zero Degrees Units using of one or more Zero Degrees Marks.

B. Franchisee desires to obtain a license and franchise to develop and operate a single Zero Degrees Unit, under the Zero Degrees Marks and in strict compliance with (i) the Zero Degrees System, (ii) the standards and specifications established by Franchisor from time to time, and (iii) the terms and conditions of this Agreement, and Franchisor is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.

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

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR

GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

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

"**Additional Training Programs**" shall have the meaning set forth in Section 6.2.

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

"Anti-Terrorism Laws" shall have the meaning set forth in Section 16.10.

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

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

"**Area Development Agreement**" means the Area Development Agreement entered into between Franchisor and Franchisee pursuant to which Franchisee is given the right, as an area developer, to develop and operate two or more Zero Degrees Units within a specified geographic area.

"Assignment" shall have the meaning set forth in Section 15.2.1.

"**Authorized Zero Degrees Products**" means all Zero Degrees Branded Products, Zero Degrees Proprietary Products and Non-Proprietary Products offered for sale or use at one or more Zero Degrees Units, as specified by Franchisor from time to time.

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

"**Competitive Business**" means any shop, establishment or business that prepares, offers or sells teas, smoothies, slushies, coffee beverages, shaved ice, Mexican-Asian fusion food, or other specialty beverages or specialty foods as a primary menu item or any shop, establishment or business that looks like, copies, imitates, or operates with a similar trade dress or décor to the Zero Degrees Unit.

"Confidential Information" shall have the meaning set forth in Section 12.1.

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

"**Crisis Management Event**" means any event that occurs at or about the Zero

Degrees Unit that has or may cause damage, harm or injury, including, without limitation, food contamination, food spoilage or poisoning, food tampering or sabotage, contagious diseases, natural disasters, terrorist acts, criminal acts, shootings or any other circumstance which may cause damage, harm or injury the Zero Degrees System, the Zero Degrees Marks, or the image or reputation of Franchisor or any of its Affiliates or to any customers, employees, or personnel of the Zero Degrees Unit.

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

"Direct Claim" shall have the meaning set forth in Section 19.4.1.

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

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

"Exercise Date" shall have the meaning set forth in Section 18.6.

"**Expiration Date**" means the tenth anniversary of the Opening Date.

"Fair Market Value" shall have the meaning set forth in Section 18.6.

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

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

"**Franchised Location**" means the site of the Zero Degrees Unit operated by Franchisee at ______________________________.

"Franchised Rights" shall have the meaning set forth in Section 2.1.

"**General Manager**" means an individual, acceptable to Franchisor, who is responsible for overseeing the operation of the Zero Degrees Unit in the absence of the Operating Partner.

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

"**Good Standing**" means Franchisee is in compliance with the terms and conditions of this Agreement, the Manuals and all other agreements then in effect between Franchisor, or any of its Affiliates, and Franchisee, and Franchisee has cured each Default for which Franchisor has issued a Notice of Default to Franchisee within the applicable time periods set forth in Article 17.

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

"**Gross Sales**" means the total of all revenues and value derived from sales of any nature or kind whatsoever from the Zero Degrees Unit during the Term, whether evidenced by cash, services, property, barter, or other means of exchange or benefit, including orders taken in or from the Zero Degrees Unit although filled elsewhere.

“**Gross Sales**” shall also include the full value of beverages and foods that Franchisee provides to its employees or personnel as incident to or in connection with their employment or services (less the amount of any normal and ordinary course of business discounts against Gross Sales given during the month in which the beverages and foods were provided), plus the full value of beverages and foods that Franchisee provides for promotional or marketing purposes, plus all proceeds from the sale or provision of coupons, gift certificates, vouchers, or similar items. “**Gross Sales**” shall exclude the amount of bona fide refunds paid to customers, the amount of any sales or use taxes actually paid by Franchisee to any Governmental Authority, and the retail price of any coupons, gift certificates and vouchers sold in the ordinary course of business when they are redeemed by customers in the ordinary course of business.

“Improvements” shall have the meaning set forth in Section 8.18.1.

“Indemnifiable Claim” shall have the meaning set forth in Section 19.4.

“Indemnitees” shall have the meaning set forth in Section 19.4.

“Indemnitors” shall have the meaning set forth in Section 19.4.

“**Initial Franchise Fee**” means the initial fee in the sum of $45,000 that Franchisee must pay Franchisor for granting of the Franchised Rights by Franchisor to Franchisee to operate the Zero Degrees Unit under this Agreement.

“**Initial Term**” means the ten (10) year period commencing on the Opening Date and ending on the Expiration Date.

“**Initial Training Program**” shall have the meaning set forth in Section 6.1.

“**Landlord**” means the real property owner of the Franchised Location who enters into a Lease with Franchisee for the Franchised Location or such owner’s property manager or other representative.

“**Lease**” shall mean any agreement, however denominated, between Franchisee and Landlord that allows Franchisee to occupy the Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license or similar arrangement between Franchisee and Landlord.

“Losses and Expenses” shall have the meaning set forth in Section 19.4.

"**Manuals**" means Franchisor's 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 related to the Zero Degrees System or any part thereof, as they such manuals may be amended, supplemented, issued and revised from time to time by Franchisor.

"**Non-Proprietary Products**" means solely the 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 computing peripheral equipment that Franchisee may or must use, offer or sell at the Zero Degrees Unit and that, in all cases, are generally available to persons in the food and beverage industry. Notwithstanding anything to the contrary, "**Non-Proprietary Products**" shall not include any Zero Degrees Branded Products or any Zero Degrees Proprietary Products.

"**Notice of Default**" shall have the meaning set forth in Section 17.3.

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

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

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

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

"**Permits**" means and include all applicable franchises, licenses, permits, registrations, certificates and other operating authority required by Applicable Law.

"**POS System**" shall have the meaning set forth in Section 8.3.

"**Post Termination Gross Sales**" shall have the meaning set forth in Section 16.4.1.

"**Proposed Buyer**" shall have the meaning set forth in Section 15.3.1.

"**Purchase Notice**" shall have the meaning set forth in Section 15.3.3.

"**Purchase Price**" shall have the meaning set forth in Section 18.6.

"**Qualified Assignment**" shall have the meaning set forth in Section 15.2.5.

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

"**Relocation Fee**" means the fee that Franchisee must pay Franchisor if Franchisee requests Franchisor to consent to a relocation of the Zero Degrees Unit, which fee shall be $5,000 plus the sum of reasonable travel, lodging, and meal expenses incurred by Franchisor in evaluating the new location.

"**Reporting Information**" shall have the meaning set forth in Section 13.1.

"**Renewal Franchise Agreement**" shall have the meaning set forth in Section 3.2.

"**Renewal Right**" shall have the meaning set forth in Section 3.2.

"**Renewal Term**" means two (2) renewal terms of five (5) year periods each commencing on the Expiration Date and ending on the Renewal Term Expiration Date.

"**Renewal Term Expiration Date**" means the fifth (5^{th}) anniversary of the commencement date of each applicable Renewal Term.

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

"**Royalty Fee**" shall have the meaning set forth in Section 4.2.

"**Training Program Fee**" means the fee that Franchisee must pay Franchisor in the sum of $15,000 for Franchisor's training program.

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

"**Zero Degrees Franchise Agreements"** means franchise agreements in existence from time to time between Franchisor and other Zero Degrees Franchisees for Zero Degrees Units.

"**Zero Degrees Franchisees**" means the parties who enter into Zero Degrees Franchise Agreements with Franchisor to operate one or more Zero Degrees Units. "**Zero Degrees Franchisees**" includes Franchisee under this Agreement.

"**Zero Degrees Marks**" means one or more trademarks, tradenames, service marks, logos and commercial symbols, now existing or created in the future, used or that may be used in connection with a Zero Degrees Unit and/or as part of the Zero Degrees System.

"**Zero Degrees Proprietary Products**" means those food products, beverages, packaging and other products which are created, conceived, produced, developed, or manufactured from time to time in accordance with or using any Trade Secrets, Confidential Information, or other confidential or proprietary information, processes, methods, methodologies, recipes, specifications, formulas, and/or intellectual property rights of Franchisor or any of its Affiliates, or that Franchisor otherwise designates as proprietary or confidential. "**Zero Degrees Proprietary Products**" includes Non-Proprietary Products that may from time to time be created, conceived, produced, developed, manufactured, or derived through the use of any Trade Secrets, Confidential Information, or other confidential or proprietary information, process, method, methodology, recipe, specification, formula or intellectual property right of Franchisor or any of its Affiliates. "**Zero Degrees Proprietary Products**" includes any and all Confidential Information contained or embodied therein.

"**Zero Degrees System**" means Franchisor's operations, operating methods, methodologies, processes and practices related to one or more Zero Degrees Units, Authorized Zero Degrees Products, and/or any Zero Degrees Marks, including (i) the business practices between Franchisor and one or more of Zero Degrees Franchisees, (ii) interior and exterior Zero Degrees Unit designs and decor, (iii) items or elements of trade dress, (iv) specifications for products, equipment, fixtures and uniforms, (v) defined product offerings and menu items, (vi) recipes, formulations, and ingredients, (vii) preparation methods, methodologies, processes, and practices, (viii) specified pricing and promotions, (ix) operating and administrative procedures, (x) management and technical training programs, (xi) marketing and public relations programs, (xii) Franchisor's website, Intranet and related content; and (xiii) other items that may from time to time be created, conceived, produced, and/or developed in connection with one or more Zero Degrees Units, Authorized Zero Degrees Products and/or Zero Degrees Marks; all and in each case as Franchisor may add to, delete from, modify, supplement, or otherwise change from time to time. "**Zero Degrees System**" includes Zero Degrees Marks, Authorized Zero Degrees Products and Improvements. "**Zero Degrees System**" also includes any and all Confidential Information contained or embodied therein.

"**Zero Degrees Unit**" means food and/or beverage establishments that offer freshly brewed flavored ice teas, smoothies, slushies, shaved ice and other specialty beverages and hand battered popcorn chicken, french fries, fish balls and other specialty food items, under one or more Zero Degrees Marks. Use of the term "**Zero Degrees Unit**" with respect to Franchisee means the Zero Degrees Unit located at the Franchised Location to be operated by Franchisee under this Agreement.

"**Zero Degrees Unit Assets**" shall have the meaning set forth in Section 18.6.

"**Term**" means the Initial Term and, as applicable, the Renewal Term.

"**Then-Current**" means, as the context of this Agreement indicates: (i) the Zero Degrees Franchise Agreement and/or other documentation then-currently provided to or required by Franchisor for similarly situated prospective Zero Degrees Franchisees, or if not then being so provided or required, then the Zero Degrees Franchise Agreement and/or other documentation selected by Franchisor in its discretion which previously have been delivered to and executed by a Zero Degrees Franchisee, (ii) the fees and royalties then-currently charged by Franchisor for services provided by Franchisor and/or in connection with the Zero Degrees System or any part thereof, and (iii) other conditions, qualifications, or requirements as Franchisor may require in connection with Zero Degrees Franchisees, prospective Zero Degrees Franchisees and/or the Zero Degrees System (or any part thereof).

"**Third Party Claim**" shall have the meaning set forth in Section 19.4.1.

"**Third Party Offer**" shall have the meaning set forth in Section 15.3.1.

"**Trade Secrets**" means proprietary and Confidential Information of Franchisor or any of its Affiliates, including recipes, formulations, ingredients, compositions, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies, methods, methodologies, processes, and techniques in connection with the Zero Degrees System or any part thereof, including in connection with the design, creation, implementation, operation and/or maintenance of a Zero Degrees Unit or any aspect thereof and/or in connection with producing one or more Authorized Zero Degrees Products. "**Trade Secrets**" includes the use or implementation of one or more Non-Proprietary Products in a proprietary and confidential manner as part of the Zero Degrees System, and the specifications, procedures, know-how, methods, methodologies, processes, techniques and other information related thereto. "**Trade Secrets**" excludes information that is or becomes a part of the public domain through publication or communication by Franchisor or its Affiliates.

2. **GRANT.**

2.1. **Grant.** Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a limited, non-exclusive right and license, during the Initial Term, to use and display certain Zero Degrees Marks and certain aspects of the Zero Degrees System, in each case as determined by Franchisor from time to time, solely for Franchisee's purpose to continuously develop and operate one (1) Zero Degrees Unit at, and only at, the Franchised Location, upon the terms and subject to the provisions and obligations of this Agreement and all ancillary documents between Franchisor and Franchisee or binding on Franchisee in connection therewith (the "**Franchised Rights**"). Franchisee shall not, and is not entitled to, sublicense, sublease, subcontract, award, transfer, or enter into any management or other agreement in connection with any Franchised Rights or otherwise providing for the right to possess, occupy or operate the Zero Degrees Unit or to use or the Zero Degrees System or any part thereof. Franchisee shall have no territorial or protective rights with respect to the Zero Degrees Unit or any Franchised Rights, and Franchisor shall have the right to place other Zero Degrees Units anywhere it desires. Franchisee shall not receive an exclusive territory.

2.2. **<u>Rights Reserved by Franchisor</u>**. Except for the Franchised Rights specifically granted to Franchisee in <u>Section 2.2</u>, Franchisor and its Affiliates expressly reserve all other rights with respect to the Zero Degrees System, the Zero Degrees Marks and other Zero Degrees Units, including the exclusive right, in their discretion, directly or indirectly, without granting Franchisee any rights in the same:

2.2.1. To develop, own and/or operate, and to grant franchises to third parties to develop, own and/or operate, as applicable, Zero Degrees Units at any location, without restriction, regardless of their proximity to the Zero Degrees Unit.

2.2.2. To develop, own and/or operate, and to grant franchises to third parties to develop, own and/or operate, as applicable, any other businesses, including 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 the Zero Degrees Unit.

2.2.3. To sell or distribute, at retail or wholesale, directly or indirectly, or license or sublicense 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.

2.2.4. To market on the Internet and use the Zero Degrees Marks on the Internet, including all uses of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media.

2.2.5. To develop, own, and/or operate in a "high density area," to be determined by Franchisor in it's absolute and sole discretion, and is typically an area with a high degree of pedestrian traffic such as a downtown protion of an urban area with high rise commercial buildings or a densly populated residential area with primarilty multi-family or apartment units.

3. INITIAL TERM AND RENEWAL RIGHTS.

3.1. **<u>Initial Term</u>**. The Initial Term shall commence on the Effective Date and shall expire and this Agreement shall terminate on the Expiration Date.

3.2. **<u>Renewal Right</u>**. Subject to the terms and conditions of this <u>Article 3</u>, upon the expiration of the Initial Term, Franchisee shall have the right (the "**Renewal Right**") to enter into a new Then-Current written franchise agreement in the form then generally being offered by Franchisor to prospective Zero Degrees Tea Franchisees (the "**Renewal Franchise Agreement**") for the Renewal Term. The Initial Franchise Fee and the Royalty Fees payable by Franchisee during the Renewal Term shall be identical to the Initial Franchise Fee and the Royalty Fees payable by new Zero Degrees Franchisees under their Zero Degrees Franchise Agreements. If Franchisee desires to exercise the Renewal Right, Franchisee shall, no less than eighteen (18) months prior to the Expiration Date, notify Franchisor in writing (the "**Renewal Notice**") that Franchisee desires to exercise the Renewal Right. Except with respect to the Renewal Right, the Franchised Rights are not otherwise renewable or extendable by Franchisee.

3.3. **<u>Conditions to Renewal</u>**. Franchisee may exercise the Renewal Right only if all of the following conditions precedent are satisfied prior to the Expiration Date: (i) Franchisee shall have fully performed all of its obligations under this Agreement, any Area Development Agreement and all other agreements between Franchisor and Franchisee or binding on Franchisee in connection therewith, and Franchisee shall be in Good Standing on the date of the Renewal Notice, on the date of Franchisor's execution of the Renewal Franchise Agreement and on the Expiration Date; (ii) Franchisee shall, prior to the commencement date of the Renewal Term, undertake and complete at its expense, the remodeling, renovation, modernization, or refurbishing of the Franchised Location and the Zero Degrees Unit to comply with Franchisor's Then-Current specifications and standards for new Zero Degrees Units, (iii) Franchisee shall not have committed three (3) or more Defaults during any twelve (12) month period during the Initial Term which were subject to notices of Default issued by Franchisor, whether or not the Defaults were cured; (iv) Franchisee continues to comply with the terms and conditions of this Agreement; (v) Franchisee shall have satisfied Franchisor's Then-Current qualifications and training requirements; (vi) Franchisee shall have executed and delivered to Franchisor a General Release; (vii) Franchisee shall have paid Franchisor a renewal fee of **50% of the Then-Current Franchise Fee** in lieu of an Initial Franchise Fee when Franchisee issues the Renewal Notice to Franchisor; and (viii) Franchisee has executed the Renewal Franchise Agreement and delivered it to Franchisor.

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

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

4. **FEES**.

4.1. **Initial Franchise Fee**. On the Effective Date, Franchisee shall pay Franchisor the Initial Franchise Fee in the manner provided in Section 4.5. The Initial Franchise Fee shall be non-refundable, in whole or in part, when paid.

4.2. **Royalty Fees and Other Payments.** Franchisee shall pay Franchisor, in accordance with Section 4.5, a weekly royalty fee equal to six percent (6%) of the Gross Sales of the Zero Degrees Unit (the "**Royalty Fee**"). The Royalty Fee shall be paid on Wednesday of each week on the Gross Sales of the Zero Degrees Unit during the previous week, or other such day time as designated in the Manual regarding the payment of the Royalty Fee. Each payment shall be accompanied by a statement of Gross Sales for the previous calendar week, certified as complete and accurate by the Operating Partner. Franchisee shall also promptly pay Franchisor and its Affiliates, as applicable, when due (i) all amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever, and (ii) all amounts due to Franchisor or its Affiliates for purchases of Zero Degrees Branded Products and Zero Degrees Proprietary Products by Franchisee.

4.3. **Marketing Fee**. Franchisee shall make weekly expenditures and contributions for advertising and promotion as specified in Sections 11.1 through Section 11.5 of this Agreement, without deduction, abatement or offset.

4.4. **Interest and Charges for Late Payments**. If Franchisee fails to pay any amount due to Franchisor under this Agreement by the date payment is due, or if any electronic payment is unpaid because of insufficient funds or otherwise, Franchisee shall additionally be obligated to pay, as a late charge, the sum of $200. Additionally, Franchisee shall pay interest on the amount outstanding at the rate of one and one-half percent (1 1/2%) per month (but not to exceed the maximum legal rate of interest) imposed from the date payment was due until the entire sum and late charge are paid in full. This Section 4.4 does not constitute an agreement by Franchisor to accept any payment after the date payment is due or a commitment by Franchisor to extend credit to, or otherwise finance, Franchisee, and Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement notwithstanding this Section 4.4.

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

EFT system in strict accordance with Franchisor's instructions shall constitute a material default of this Agreement.

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

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

4.5.3. Franchisee shall immediately furnish to Franchisor or Franchisor's Affiliate, as the case may be, certified receipts of the payment of any deduction, withholding or payment made, on its account or Franchisor's account. Franchisee shall indemnify Franchisor and its Affiliates, and hold Franchisor and its Affiliates harmless from any claims for any taxes described in this Section 4.5, including any claims occasioned by Franchisee's failure to withhold any taxes imposed by any Governmental Authority on amounts payable by Franchisee pursuant to Sections 4.2 and this Section 4.5.3, and for any liability (including penalties, interest and expenses) arising from or concerning the payment of such taxes.

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

4.7. **Security Interest**.

4.7.1. Franchisee hereby grants Franchisor a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles owned by Franchisee and located at or used in connection with the Zero Degrees Unit, now or hereafter acquired by Franchisee, together will all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of any assets, all intellectual and proprietary rights of Franchisee, including patents, copyrights and their applications and registrations, to the extent any, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, from Franchisee to Franchisor. Franchisee hereby authorizes Franchisor to, prepare and file all Uniform Commercial Code (and comparable) financing statements and other documents determined necessary or desirable by Franchisor to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code wherever applicable. If Franchisee is in Default of any of the terms and conditions of this Agreement, Franchisor may, in its discretion, exercise its rights with respect to its security interest. In that event, Franchisee shall remain liable for any deficiency remaining due to Franchisor and shall be entitled to recover any surplus which results after the application of the proceeds derived from the enforcement of the security interest.

4.7.2. Notwithstanding anything to the contrary, Franchisee shall not, and is not entitled to, pledge, encumber, hypothecate, or otherwise grant any lien or security interest in or against any Franchised Rights or any other rights granted to or received by Franchisee or any Owner or any of their respective Affiliates under or pursuant to this Agreement.

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

5. **FRANCHISED LOCATION, CONSTRUCTION AND OPENING FOR BUSINESS.**

5.1. **Franchised Location**. The Zero Degrees Unit shall be located at the Franchised Location. If the address of the Franchised Location has not been inserted in the blank space in Article 1, "**Definitions**", on the Effective Date, Franchisee shall, within **forty-five (45) days** after the Effective Date, locate one or more proposed sites that meet Franchisor's Then-Current standards and specifications. Franchisee shall submit to Franchisor all demographic and other information regarding a proposed site and neighboring areas that Franchisor shall require. Franchisor shall accept or reject a proposed site for the Zero Degrees Unit within **thirty (30)** days after Franchisor receives all of the information that Franchisor requires to evaluate the site. Following Franchisor's approval of a site, Franchisee shall promptly negotiate a Lease for the site and shall submit a copy of the proposed Lease to Franchisor for approval. Franchisee shall not enter into any Lease for a site unless and until Franchisor has approved the site and the Lease in writing. Following Franchisee's execution of the Lease for the Franchised Location, Franchisor and Franchisee shall complete and execute **Exhibit B** to identify the Franchised Location. Franchisee shall identify the site for the Franchised Location and obtain a fully executed Lease for the site no later than **ninety (90) days** after the Effective Date. Franchisor may voluntarily, and without obligation, assist Franchisee in selecting an acceptable site for the Franchised Location. Neither Franchisor's assistance, if any, its acceptance of a proposed site, nor its approval of a proposed Lease shall be construed to insure or guarantee the profitable or successful operation of the Zero Degrees Unit at the site selected by Franchisee or the appropriateness of the Lease, and Franchisor hereby expressly disclaims any responsibility or liability therefor. Franchisee acknowledges its sole responsibility for finding the Franchised Location and compliance with the Lease.

5.2. **Lease for Franchised Location**. Franchisee shall not create any obligations on behalf of Franchisor or any of its Affiliates or grant the Landlord any rights against Franchisor or any of its Affiliates, or agree to any term, condition or covenant in the Lease which is inconsistent with any provision of this Agreement. Franchisee shall deliver a fully executed copy of the Lease to Franchisor promptly following its execution, in the form and on the terms previously approved by Franchisor, without further request by Franchisor. The Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of the Lease, those provisions provided for in Exhibit F. If Franchisor elects to succeed to Franchisee's rights under the Lease, Franchisee shall assign to Franchisor all of Franchisee's right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary, appropriate or advisable to effect the assignment within ten (10) days after written demand by Franchisor to do so.

5.3. **Construction**. Franchisor shall make available, at no charge to Franchisee, Franchisor's specifications for the décor and layout of a Zero Degrees Unit and the required fixtures, equipment, furnishings, décor, trade dress and signs. Franchisee shall be responsible for the costs of preparing architectural, engineering and construction drawings and site and space layout and exterior signage plans for the Zero Degrees Unit. Franchisee shall, at its own expense, adapt the specifications for a prototype Zero Degrees Unit to conform to the characteristics of the Franchised Location and shall submit the final plans to Franchisor within forty-five (45) days after Franchisee obtains possession of the Franchised Location. Franchisor shall review and accept or reject the plans within fifteen (15) days after receiving them from Franchisee. Before commencing any renovation or construction, Franchisee shall employ a licensed architect and engineer to prepare preliminary and final architectural and engineering drawings and specifications of the Zero Degrees Unit in accordance with Franchisor's standard architectural plans and specifications for a prototype Zero Degrees Unit. Franchisee shall obtain Franchisor's prior written consent before deviating from Franchisor's architectural plans and specifications. Franchisee shall use the architect and designer designated by Franchisor for the design and construction of the Zero Degrees Unit or obtain Franchisor's prior written consent to use an architect or designer other than Franchisor's designated architect and designer. Franchisee shall, at its own expense, obtain all zoning classifications, Permits, and clearances for construction and shall, subject only to Force Majeure, complete construction of the Zero Degrees Unit within one hundred eighty (180) days after the Effective Date. Franchisee shall notify Franchisor of the anticipated construction completion date and, within a reasonable time after construction is completed Franchisor shall have the right, but not the obligation, to conduct a final inspection of the Zero Degrees Unit.

5.4. **Open for Business**. The Zero Degrees Unit shall Open For Business no later than one hundred eighty (180) days after the Effective Date, unless Franchisor extends the date for the required Opening of the Zero Degrees Unit in writing. Franchisor shall not unreasonably withhold its consent to Franchisee's request for additional time to Open the Zero Degrees Unit. Franchisee shall not Open the Zero Degrees Unit without the express written authorization of Franchisor, which authorization may be conditioned upon Franchisee's strict compliance with the specifications of the approved final plans and Zero Degrees System standards, the General Manager's completion of the initial training program and Franchisee's compliance with staffing and other requirements. Franchisee shall Open the Zero Degrees Unit for business following receipt of a temporary or permanent certificate of occupancy and no more than ten (10) days after receipt of Franchisor's written authorization to Open.

5.5. **Relocation of Zero Degrees Unit**. Franchisee may not relocate the Zero Degrees Unit from the Franchised Location without Franchisor's prior written consent. Franchisee shall pay Franchisor the Relocation Fee on demand. If Franchisor consents to a relocation, Franchisee shall de-identify the former Franchised Location in the manner described in Section 18.1 and shall reimburse and indemnify and hold Franchisor and its Affiliates harmless from any direct and indirect losses, costs and expenses, including reasonable attorneys' fees and costs, arising out of Franchisee's failure to do so. If Franchisor consents to a relocation of the Zero Degrees Unit during the Term, Franchisee shall have twelve (12) months from the date of Franchisor's approval of the new Franchised Location to secure the new Franchised Location and to Open and operate the Zero Degrees Unit at the new Franchised Location. Once Franchisee has identified the new Franchised Location, Franchisor has approved it, and the Lease has been approved by Franchisor, Franchisor will prepare a new copy of Exhibit B and provide it to Franchisee. If Franchisee fails to secure the new Franchised Location within twelve (12) months of the date of Franchisor's approval of the new Franchised Location, Franchisor shall have the right to estimate and bill Franchisee for Royalty Fees for the time period following the expiration of the twelve (12) month period based upon the Royalty Fees received for the Zero Degrees Unit during the identical periods of the last preceding calendar year plus an additional 10% of such amount or, if the Zero Degrees Unit was not in operation during the identical period of the last preceding year, based upon the average Royalty Fees paid during the number of months the Zero Degrees Unit was in operation plus an additional 10% of that amount.

6. **OBLIGATIONS OF FRANCHISOR**

6.1. **Initial Training Program.** Franchisor shall provide an initial training program in certain aspects of the Zero Degrees System and methods of operation of a Zero Degrees Unit (the "**Initial Training Program**") at Franchisee's Zero Degrees Unit, for up to two (2) persons selected by Franchisee who shall be the Operating Partner and General Manager. Franchisee shall pay Franchisor a Training Fee fee of $15,000. Portions of the Initial Training Program may be held at Franchisor's corporate location. Franchisee shall attend and complete, to Franchisor's satisfaction, the Initial Training Program. The Initial Training Program will consist of approximately 10 days of training that must be completed before the Zero Degrees Unit Opens for business. Additional training may be provided by Franchisor, at its discretion, subject to payment by Franchisee of Franchisor's Then-Current fees. Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee and/or Franchisee's employees to attend the Initial Training Program. Franchisee will also pay a fee of $8,000 to Franchisor for travel and living expenses of Franchisor's 5 corporate trainers for the Initial Training Program. Franchisee may not Open the Zero Degrees Unit until the Initial Training Program has been completed to the satisfaction of Franchisor and Franchisee's management team has been certified by Franchisor. The Initial Training Program shall not be provided if (i) Franchisee or any Affiliate of Franchisee owns or operates a Zero Degrees Unit as of the Effective Date, or (ii) this Agreement is executed as a Renewal Franchise Agreement. Franchisor shall determine the contents and manner of conducting the Initial Training Program in its discretion, however, the Initial Training Program will be structured to provide practical training in the implementation and operation of a Zero Degrees Unit and may include such topics as on-site drink and food preparation, portion control, preparation and cooking procedures, packaging procedures, Zero Degrees standards, marketing and customer service techniques, reports and equipment maintenance. Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Zero Degrees Unit, Franchisor, in its sole discretion, shall determine if Franchisee, the Operating Partner and/or the General Manager have satisfactorily completed the Initial Training Program.

6.2. **Additional Training Programs**. Franchisor may, at Franchisor's discretion, from time to time during the Term require the Operating Partner and each General Manager to attend additional and remedial training programs ("**Additional Training Programs**"). Franchisee shall pay Franchisor its Then-Current daily fee for each of Franchisor's representatives that provides Additional Training Programs to defray Franchisor's direct costs to provide the Additional Training Programs. In addition, Franchisee shall pay all transportation costs, food, lodging and similar costs incurred by Franchisor in connection with attendance at the Additional Training Programs.

6.3. **Manuals**. Franchisor will provide Franchisee with access to its Then-Current Manuals via the Intranet (as described in Section 8.17) during the Term of this Agreement. Franchisee may print up to three (3) physical copies of the Then-Current Manuals at Franchisee's own cost. Franchisee must notify Franchisor immediately in writing when a copy has been printed. The Manuals may change from time to time during the Term of this Agreement. The Manuals are, and at all times shall remain Franchisor's sole property and shall promptly be deleted, destroyed or returned by Franchisee to Franchisor upon expiration, termination or an Assignment of this Agreement, and Franchisor shall certify in writing that all copies provided to Franchisee have been destroyed or returned to Franchisor. If Franchisee misplaces the Manuals or fails to return or destroy the Manuals or fails to certify the return or destruction of the Manuals to Franchisor upon demand, Franchisee shall pay Franchisor the sum of $**500** per Manual as a lost manual fee. Franchisee shall treat all information contained in the Manuals as Confidential Information and shall use all reasonable efforts to keep such information confidential. Franchisee shall not, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce or create summaries or extracts of the Manuals, in whole or in part, or otherwise make them available to any person not required to have access to their contents in order to carry out their employment functions to Franchisee. The Manuals contain both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the Zero Degrees System and Franchisee's obligations under this Agreement. The Manuals, as modified by Franchisor from time to time, are an integral part of this Agreement and all provisions now or hereafter contained in the Manuals or otherwise communicated to Franchisee in writing are expressly incorporated into this Agreement by this reference and made a part of this Agreement. Franchisee shall comply with all mandatory requirements now or hereafter included in the Manuals, and acknowledges and agrees that a breach of any mandatory requirement shall constitute a Default of this Agreement and grounds for termination. Franchisor reserves the right to modify the Manuals from time to time to reflect changes that it may implement in the mandatory and recommended specifications, standards and operating procedures of the Zero Degrees System. Franchisee shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Franchisor.

6.4. **Consultation**. Franchisor may provide consultation to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues that Franchisee brings to Franchisor's attention including, without limitation, mandatory and recommended specifications, standards and operating procedures of the Zero Degrees System. Franchisor's consultation may be provided by telephone, in writing, electronically, in person, or by other means. Consultation provided under this Section 6.4 will be provided by Franchisor in its discretion and is provided at no charge. Additional consultation may be provided by Franchisor, subject to payment by Franchisee of Franchisor's Then-Current fees.

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

6.6. **Assignment**. Upon the occurrence of an Assignment, the Proposed Buyer must be trained by Franchisor as a condition to the granting of Franchisor's consent to the Assignment. All costs for this training shall be included in the transfer fee payable by Franchisee in accordance with Section 15.4.7.

7. INTENTIONALLY OMITTED

8. OBLIGATIONS OF FRANCHISEE

8.1. **Zero Degrees System**. Franchisee shall comply with Franchisor's standards and shall operate the Zero Degrees Unit in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise. Franchisee shall comply, at Franchisee's expense, with all modifications prescribed by Franchisor and shall implement changes to the Zero Degrees System within the time periods specified by Franchisor following Franchisee's receipt of notice from Franchisor to do so. Franchisee shall refrain from deviating from the methods, standards, and specifications prescribed by Franchisor without Franchisor's prior written consent and from otherwise operating in any manner which reflects adversely or negatively on any Zero Degrees Marks or the Zero Degrees System or any part thereof. Since every detail of the Zero Degrees System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services provided under the Zero Degrees Marks and the Zero Degrees System and to protect the Zero Degrees Marks and reputation and goodwill thereof, Franchisor shall have the right to disapprove, in its discretion, any modification of, or addition to, the Zero Degrees System suggested by Franchisee.

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

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

8.4. **Product Line and Service**. Franchisee shall advertise, sell and serve all and only Authorized Zero Degrees Products at or from the Zero Degrees Unit. All Authorized Zero Degrees Products shall be sold and distributed under the names designated by Franchisor and shall be prepared and served strictly in accordance with Franchisor's methods, standards, and specifications. Franchisee shall not remove any Authorized Zero Degrees Product from Franchisee's menu without Franchisor's written consent. Franchisee shall not sell any Authorized Zero Degrees Products outside of the Zero Degrees Unit or to any customer for the purpose of resale by the customer, and all sales by Franchisee shall be for retail consumption only. Subject to Applicable Law, Franchisor shall have the right to establish pricing guidelines for Authorized Zero Degrees Products and, subject to Applicable Law, Franchisee shall comply with, and be bound by, prices which may be recommended, suggested or advertised by Franchisor.

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

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

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

8.8. **<u>Hours</u>.** Subject to Applicable Law, the Zero Degrees Unit shall be open and operational at least minimum (10) hours per day, seven (7) days per week or as otherwise prescribed by Franchisor.

8.9. **<u>Gross Sales</u>**. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible from its Franchised Location, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and Gross Sales.

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

8.11. **<u>Franchisee Employee Policy</u>**. Franchisee shall maintain a competent, conscientious, and trained staff of employees and shall take all steps necessary to ensure that its employees preserve good customer relations, render competent, prompt, courteous, and knowledgeable service, and meet the minimum standards that Franchisor may establish from time to time in the Manuals or otherwise. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be the employees of Franchisor or subject to Franchisor's direct or indirect control. Franchisee acknowledges and agrees that Franchisee shall be solely responsible for all employment decisions and functions at the Zero Degrees Unit or otherwise with respect to Franchise's employees, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees, and regardless of whether Franchisee receives advice, consultation, or training from Franchisor on these subjects. Franchisee shall immediately defend, reimburse and hold Franchisor and its Affiliates harmless from any direct or indirect losses, costs and expenses, including reasonable attorneys' fees and costs, arising out of any claims made by or for the benefit of any employee of Franchisee against Franchisor or any of Franchisor's Affiliates regarding employment decisions and employee functions, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees. Franchisee shall cause all employees, while working in the Zero Degrees Unit, to wear uniforms of the color, design and other specifications that Franchisor may designate from time to time and to present a neat and clean appearance. If Franchisor removes a type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have thirty (30) days from receipt of Franchisor's written notice of removal to discontinue use of its existing inventory of uniforms and obtain and use the approved type of uniform.

8.12. **Vending or Other Machines**. Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Zero Degrees Unit.

8.13. **Co-Branding**. Franchisee may not engage in any Co-Branding in or in connection with the Zero Degrees Unit except with Franchisor's prior written consent. Franchisor may approve any Co-Branding chain or arrangement in its discretion, and only if Franchisor has recognized that Co-Branding chain as an approved co-brand for operation within Zero Degrees Units.

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

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

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

8.17. **Intranet**. If Franchisor establishes a Zero Degrees franchisee Intranet, Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Franchisee acknowledges that, as administrator of the Intranet, Franchisor may access and view any communication posted on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any rights or claims of privacy or privilege that Franchisee, any employee of Franchisee or any other person may assert. Upon receipt of notice from Franchisor that Franchisor has established an Intranet, Franchisee shall establish and continually maintain an electronic connection with the Intranet as specified in the Manuals that allows Franchisor to send messages to and receive messages from Franchisee. If Franchisee

Defaults under this Agreement or any other agreement with Franchisor, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee.

8.18. **<u>Improvements</u>**.

8.18.1. If Franchisee creates, conceives or develops, whether solely or jointly with others, any ideas, concepts, information, know-how, inventions, original works of authorship, specifications, developments, techniques, processes, practices, methods, methodologies, improvements, derivative works, trade secrets, or other proprietary or intellectual property rights, whether or not patentable, protectable or registrable or reduced to practice, in any form or medium, in connection with the Zero Degrees Unit, the Zero Degrees System or any part thereof, (collectively, "**Improvements**"), Franchisee shall promptly notify Franchisor and provide Franchisor with all information, data, documentation, specimen, and samples related to any and all Improvements. All Improvements shall be the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee hereby assigns, and hereby agrees to assign, to Franchisor any and all rights, title and interests Franchisee may have or acquire in the Improvements, including all intellectual property rights related to the Improvements or any part thereof, and Franchisee hereby waives and releases all rights of restraint and moral rights therein and thereto. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to any Improvement in any and all countries and shall execute and provide Franchisor with all documentation requested by Franchisor for obtaining and enforcing those rights. Franchisee hereby irrevocably designates and appoints Franchisor and its designees as Franchisee's agent and attorney-in-fact to execute and file any documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property rights related to any Improvement.

8.18.2. If the assignment of the Improvements to Franchisor in the foregoing provisions of <u>Section 8.18.1</u> is found to be invalid or otherwise unenforceable, Franchisee hereby grants to Franchisor a worldwide, perpetual, exclusive, fully-paid, royalty-free, transferable, unrestricted license to the Improvements, including the right to use, modify, create derivative works and improvements, grant sublicenses, and otherwise fully commercially exploit any and all Improvements.

8.18.3. Franchisee acknowledges and agrees that the provisions of this Section 8.18 are part of the consideration for Franchisor entering into this Agreement and Franchisee is not owed and is not entitled to receive any separate or additional consideration or compensation.

8.19. **Refurbishment of Zero Degrees Unit**. At Franchisor's request, but not more often than once every five (5) years unless sooner required by the Lease, Franchisee shall refurbish the Zero Degrees Unit, at its own expense, to conform to Franchisor's Then-Current requirements with respect to the building design, trade dress, color schemes, and presentation of the Zero Degrees Marks in a manner consistent with the Then-Current public image for new or remodeled Zero Degrees Units, including, without limitation, replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that Franchisor may reasonably require or that may be required by Applicable Law. Franchisee's costs for the required refurbishment shall not exceed $100,000 for the interior of the Zero Degrees Unit or $50,000 for the exterior of the Zero Degrees Unit.

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

8.21. **Authorization to Release Information**. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary, appropriate or advisable by Franchisor to effect the authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom Franchisee does business to disclose to Franchisor any financial information in their possession relating to Franchisee or the Zero Degrees Unit which Franchisor may request. Franchisee further authorizes Franchisor to disclose to prospective franchisees or other third parties data from Franchisee's reports if Franchisor determines, in Franchisor's sole discretion, that the disclosure is necessary, appropriate or advisable.

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

8.23. **Rewards Program; Coupons and Discounts**. Franchisee shall fully participate in Franchisor's Rewards Program (the "**Rewards Program**"), and all guest loyalty or frequent customer programs now or in the future adopted or approved by Franchisor. Franchisor currently administers its gift card system through the Rewards Program. Franchisee shall not create or issue any gift certificates or gift cards and shall only sell gift certificates or gift cards that have been issued or approved by Franchisor. Franchisee shall participate in all gift certificate and/or gift card administration programs as may be designated by Franchisor from time to time. Franchisee shall honor all coupons, gift certificates, gift cards and other programs or promotions as directed by Franchisor. Franchisee shall not issue coupons or discounts of any type for use at the Zero Degrees Unit, except as approved by Franchisor in writing, which may be withheld in Franchisor's sole and absolute discretion.

9. SUPPLIERS AND PRODUCTS

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

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

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

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

10. **ZERO DEGREES MARKS**

10.1. **Ownership and Goodwill of Zero Degrees Marks**. Franchisee acknowledges and agrees that the Zero Degrees Marks are owned by the Franchisor and may be modified, from time to time. Franchisor and Franchisor's Affiliate continue to develop, use and control the use of the Zero Degrees Marks to identify for the public the source of services and products marketed under the Zero Degrees Marks, and to represent the Zero Degrees System's high standards of quality, appearance and service. Franchisor and its Affiliates shall, at all times, have the right to review and inspect Franchisee's use of the Zero Degrees Marks and other Franchised Rights to assess whether Franchisee's use is in compliance. Any unauthorized use of any Zero Degrees Marks by Franchisee shall constitute a material breach of this Agreement and an infringement of Franchisor's and Franchisor's Affiliate's rights in and to the Zero Degrees Marks. Franchisee acknowledges and agrees that as between Franchisor and Franchisee (i) Franchisor owns the Zero Degrees Marks and the Zero Degrees System and all goodwill associated with any of the foregoing, (ii) Franchisee owns no goodwill or rights in the Zero Degrees Marks or the Zero Degrees System and, except for the license of the Franchised Rights granted to Franchisee by this Agreement, Franchisee has no other right or interest in any Zero Degrees Marks or the Zero Degrees System or any part thereof, and (iii) Franchisee's use of the Zero Degrees Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor. Franchisee hereby agrees, either during the Term or after this Agreement terminates or expires, not to contest, or assist any other person or Entity to contest, the validity of any of the rights, title or interests in the Zero Degrees Marks or the Zero Degrees System (or any part thereof) held by Franchisor or its Affiliates or the enforceability thereof.

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

10.3. **Modifications**. Franchisor reserves the right from time to time to (i) modify or discontinue licensing any of the Zero Degrees Marks, (ii) add new names, marks, designs, logos or commercial symbols to the Zero Degrees Marks and, in which case, Franchisee shall use them, and (iii) introduce new practices as part of the Zero Degrees System in operating the Zero Degrees Unit and, in which case Franchisee shall observe and implement such new practices. Franchisee acknowledges and agrees that the term "**Zero Degrees Marks**" includes the specific names, marks, designs, logos or commercial symbols licensed by Franchisor at any given point in time, subject to Franchisor's right to impose changes. Franchisee shall comply, at Franchisee's sole expense, with Franchisor's directions regarding changes in the Zero Degrees Marks and Zero Degrees System or any part thereof within a reasonable time after written notice from Franchisor. Franchisor shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with Franchisor's directions and conforming to Franchisor's required changes.

10.4. **<u>Defense of Zero Degrees Marks and Zero Degrees System</u>.**

10.4.1. Franchisor shall have the sole right, either alone or with its Affiliate, to handle disputes with Franchisee and third parties concerning Franchisor's or Franchisor's Affiliates' ownership of, rights in, or Franchisee's or other's use of, the Zero Degrees Marks or the Zero Degrees System. Franchisee shall immediately notify Franchisor in writing if Franchisee receives notice, or is informed or becomes aware, of any (i) improper use of any of the Zero Degrees Marks or elements of the Zero Degrees System, including misuse by any third parties, (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's judgment, may be confusingly similar to any of the Zero Degrees Marks, (iii) use by any third party of any business or business practice which, in Franchisee's judgment, improperly simulates the Zero Degrees System in a manner likely to confuse or deceive the public, or (iv) claim, challenge, suit or demand asserted against Franchisee based upon Franchisee's use of the Zero Degrees Marks or the Zero Degrees System. Franchisor and/or Franchisor's Affiliate shall have sole right and discretion to take any and all action as it/they deem appropriate, including, without limitation, to take no action, and the sole right and discretion to control any dispute, proceeding or negotiation arising out of any infringement, challenge, claim or otherwise relating to any Zero Degrees Marks or the Zero Degrees System or any part thereof. Franchisee has no right to, and shall not, settle or compromise any dispute, claim, proceeding or demand asserted against it. Franchisee hereby agrees to be bound by Franchisor's decisions in handling any and all disputes, claims, proceedings and demands regarding the Zero Degrees Marks and the Zero Degrees System. Franchisee shall cooperate fully with Franchisor and execute all documents and perform all actions as may, in Franchisor's judgment, be necessary, appropriate or advisable in the prosecution, enforcement, defense, negotiation and/or resolution of any and all disputes, claims, proceedings and demands and to protect and maintain Franchisor's rights in the Zero Degrees Marks and the Zero Degrees System.

10.4.2. Except to the extent that a third party claim asserted against Franchisee is based upon Franchisee's misuse of any Zero Degrees Marks or the Zero Degrees System or any part thereof or Franchisee's act or omission in breach of this Agreement or in violation of Applicable Law, Franchisor agrees to defend Franchisee against a third party claim and indemnify Franchisee for any reasonable and actual losses suffered by Franchisee resulting from such third party claim for Franchisee's authorized, proper and lawful use of the

Franchised Rights in strict compliance with the terms and conditions of this Agreement and Applicable Laws, provided Franchisee has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third party claim, Franchisee is not entitled to be reimbursed for any fees and costs, including legal and other professional fees and costs, incurred by Franchisee in connection with such claim.

11. **ADVERTISING**

11.1. **Marketing Fund**. Franchisee shall pay to Franchisor an amount equal to two percent (2%) of Gross Sales to the Marketing Fund as a Marketing Fee. If Franchisor has not yet established the Marketing Fund as of the Effective Date, Franchisee shall not be required to pay the Marketing Fee until such time as Franchisor establishes the Marketing Fund, at which time Franchisee shall begin making Marketing Fee contributions in accordance with this Section 11.1 upon ninety (90) days' notice to Franchisee.

11.1.1. If implemented, the Marketing Fund will be administered by Franchisor and shall be used to meet the costs of conducting marketing and promotional activities. Franchisor retains sole discretion over all marketing and public relations programs and activities financed by the Marketing Fund, including the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. The Marketing Fund may be used to pay the costs of preparing and producing associated materials and programs as Franchisor determines, including video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research, secret shopper programs, franchise conferences, internal quality control measures and other marketing and promotional activities, campaigns, test marketing, marketing surveys, public relations activities, website development and operation for portal, Internet, Intranet and URL services and for 800 or similar numbers. All marketing efforts and expenditures are at the sole discretion of Franchisor. Franchisor may spend in any year more or less than the total contributions to the Marketing Fund in that year. Franchisor may borrow from Franchisor, its Affiliates and other lenders on behalf of the

Marketing Fund to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund.

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

11.1.3. Franchisor will maintain the Marketing Fund in an account separate from Franchisor's other monies, and will not use it to defray any of Franchisor's expenses, except for reasonable administrative and marketing wages and costs and overhead which Franchisor may incur in activities related to administering the Marketing Fund and marketing programs for Franchisor's franchisees. The Marketing Fund will not be used to solicit or to offer Zero Degrees Units to prospective franchisees. The Marketing Fund is not and will not be an asset of Franchisor. Any Marketing Fund Fees collected in a year, but not spent in that year, will be carried over to the next year. Franchisor maintains the right to terminate the collection and disbursement of Marketing Fund Fees upon ninety (90) days prior written notice to Franchisee. Upon termination, Franchisor shall disburse the remaining Marketing Fund Fees on hand only for the purposes authorized by this Article 11.

11.2. **Local Advertising and Promotion.** Franchisee shall spend at least one percent (1%) of Gross Sales on local advertising and promotion of the Zero Degrees Unit at the Franchised Location, as determined by Franchisor. Franchisee shall conduct all local advertising and promotion in accordance with the policies and provisions with respect to format, content, media, geographic coverage and other criteria as are from time to time contained in the Manuals, or as otherwise directed by Franchisor, and shall not use or publish any advertising material or in any way use or display any of the Zero Degrees Marks except in accordance with said policies and provisions and with Franchisor's prior written approval. Franchisee shall submit samples of all advertising and promotional plans and materials to Franchisor for Franchisor's approval and may only commence use of the materials after they have been approved, in writing, by Franchisor. Franchisor shall have the right at any time after Franchisee commences use of any materials to prohibit further use, or to demand proof of advertising and promotional expenditures, effective upon written notice to Franchisee.

Additionally, Franchisee agrees to pay Franchisor $350 per month for Franchisor to open and manage Franchisee's Zero Degrees Unit Facebook and Yelp pages. Such payments payments will be applied towards Franchisee's Local Advertising obligation.

11.2.1. Franchisee will not issue any press release without Franchisor's prior express written approval.

11.2.2. Franchisee will not make any contributions or donations of items, services, or money to any inndivual, entity, or provide any type of beneit to any charitable, religious, political, social, civic, or othertype of organization (or to any individual on behalf of any such organization) in the name of Franchisee's Zero Degrees Unit or otherwise associate with the Marks, without Franchisor's prior express written consent.

11.2.3. Franchisee wil not establish any "eclub" marketing campaigns, gift card programs, or loyal customer programs, or any social media or other such programs, except as designated in the Manual, without Franchisor's prior written approval.

11.3. **Cooperative Advertising Programs**. Franchisor may from time to time establish programs for co-operative advertising ("**Cooperative Programs**") to coordinate advertising, marketing efforts and programs, to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional advertising media. If and when Franchisor creates a Cooperative Program for an advertising coverage area (an "**Advertising Coverage Area**") in which the Zero Degrees Unit is located, Franchisee (and, if Franchisor or an Affiliate of Franchisor owns a Zero Degrees Unit in the Advertising Coverage Area, then Franchisor or such Affiliate of Franchisor), shall become a subscriber and member of the Cooperative Program and shall participate in the Cooperative Program in the manner prescribed by Franchisor. The size and content of an Advertising Coverage Area, when and if established by Franchisor, shall be binding upon Franchisee, and all other similarly situated Zero Degrees Franchisees (and Franchisor or an Affiliate of Franchisor, if it operates Zero Degrees Units) in the Advertising Coverage Area. Each participating Zero Degrees Franchisee, as well as Franchisor (or its

Affiliate), if applicable, shall be entitled to one vote for each Zero Degrees Unit located within the Advertising Coverage Area as may reasonably be determined by Franchisor.

11.3.1.1. Franchisee and all other members of the Advertising Coverage Area whose Zero Degrees Franchise Agreements require their participation in the Cooperative Program shall contribute to the Cooperative Program the amounts that are determined by fifty percent (50%) or more of the participating Zero Degrees Units in the Cooperative Program (not to exceed two percent (2%) of the Gross Sales of each participating Zero Degrees Unit located in the Advertising Coverage Area, subject to Franchisor's written approval. Franchisee's contribution to the Cooperative Program shall be credited towards the satisfaction of the local advertising expenditure required by Section 11.2.

11.3.1.2. Franchisor shall administer the Cooperative Program and shall determine the policies of the Cooperative Program and the usage of the available funds for media time, production of media materials, radio, television, newspapers or local level materials for the applicable Zero Degrees Unit such as flyers, or posters, or for any other type of advertising or marketing use. Franchisor reserves the right to establish general standards concerning the operation of the Cooperative Program, advertising agencies retained by the Cooperative Program, and advertising conducted by the Cooperative Program. Any disputes (other than pricing) arising among or between Franchisee, other Zero Degrees Franchisees, and/or the Cooperative Program shall be resolved by Franchisor, whose decision shall be final and binding on all parties.

11.4. **INTENTIONALLY LEFT BLANK**

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

11.6. **Advertising Council**. Franchisor may from time to time establish an Advertising Council for Zero Degrees Franchisees.

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

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

12. CONFIDENTIAL INFORMATION

12.1. Confidential Information.

12.1.1. "**Confidential Information**" means any and all information, knowledge, and/or data, whether or not in writing, in electronic format, or in other tangible or intangible medium, concerning Franchisor, any or its Affiliates and/or any of their respective businesses, operations, practices, styles, products and/or services, that has been furnished or is to be furnished to Franchisee by, or Franchisee has otherwise obtained or obtains from, Franchisor, an Affiliate of Franchisor, or another person or entity. By way of illustration, but not limitation, "**Confidential Information**" includes information, knowledge and data relating to the Zero Degrees System and elements or portions thereof, business operations, practices, styles, products, services, recipes, sources of materials and equipment, customer management, software, data, content, formulations, ingredients, compositions, patterns, compilations, programs, devices, processes, methods, methodologies, standards, business relationships, contact information for industry professionals, developmental or experimental products and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites and website content, advertisements, ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names, addresses and contact information, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, information regarding the skills and compensation of employees, contractors and other personnel of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales and license techniques, inventions, copyrightable material, trademarkable material, intellectual property rights, Trade Secrets, databases, relationships between Franchisor and other persons or entities, knowledge or know-how, including knowledge or know-how concerning the methods of operation of one or more Zero Degrees Units, any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, any other information that is not generally known by the public or which derives independent economic value (actual or potential) from not being generally known to the public, and any other information which, given the circumstances surrounding its disclosure, would be considered confidential. "**Confidential Information**" also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Franchisee.

12.1.2. Confidential Information does not include any information that: (i) was in the lawful and unrestricted possession of Franchisee prior to its disclosure by Franchisor without any duty or obligation of confidentiality; (ii) is or becomes generally available to the public by lawful acts other than those of Franchisee after receiving it; (iii) has been received lawfully and in good faith by Franchisee from a third party who did not derive it from Franchisor or Franchisee without any duty or obligation of confidentiality; or (iv) is shown by Franchisee with documentary evidence to have been independently developed by Franchisee without any use or access to any Confidential Information.

12.1.3. Franchisee acknowledges and agrees that certain Confidential Information may be provided to Franchisee or Franchisee may be apprised of certain Confidential Information by virtue of Franchisee's relationship with Franchisor or in connection with Franchisee's operation of the Zero Degrees Unit.

12.1.4. For clarification, notwithstanding anything to the contrary, neither Franchisor or any of its Affiliates is obligated or required to disclose to Franchisee, any Owner or any third party any Trade Secrets or other Confidential Information with respect to any Zero Degrees Proprietary Products or other product or service of a confidential nature.

12.2. **Value**. Franchisee acknowledges and agrees the Confidential Information: (a) has been developed by Franchisor and its affiliates by the investment of significant time, skill, effort and money and is of substantial value to Franchisor and its affiliates; (b) is not generally known by the public or parties other than Franchisor, its Affiliates, its franchisees and Franchisee; derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee; and (c) is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation: (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to certain Confidential Information by the use of passwords and other restrictions so that electronic access to such Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor or to destroy all Confidential Information upon the expiration or termination of their Zero Degrees Franchise Agreements.

12.3. **Maintain Confidentiality**. Franchisee shall not, during the Term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its trade secrets and/or any Confidential Information. Franchisee acknowledges and agrees that any use of any Confidential Information by Franchisee shall be in strict compliance with the terms and conditions of this Agreement. Franchisee may divulge such Confidential Information only to such of its employees who must have access to it in order to perform their employment responsibilities.

12.4. **Irreparable Injury from Disclosure of Confidential Information**. Franchisee acknowledges that failure to comply with any of the requirements of this Section 12 will result in irreparable injury to Franchisor and/or its Affiliates for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor and/or its Affiliates in obtaining, without the posting of any bond, an ex parte or other order for injunctive relief, specific performance and/or other equitable relief with respect to the requirements of this Section 12. Franchisor and its Affiliates reserve all rights to all legal relief and remedies against Franchisee, including damages, for any breach by Franchisee of any term or condition of this Section 12.

12.5. **Confidentiality Covenants from Individuals Associated with Franchisee**. Franchisee shall require each employee, agent, representative, personnel and advisor of Franchisee who may have access to any Confidential Information to execute covenants that they will maintain the confidentiality and abide by the use restrictions of any Confidential Information they receive in the same manner as applicable to Franchisee under this Section 12. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

13. **ACCOUNTING AND RECORDS**

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

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

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

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

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

13.3. **Audits.** Franchisee shall prepare, and keep for not less than seven (7) years following the end of each of its fiscal years, adequate books and records showing daily receipts in, at and from the Zero Degrees Units, applicable sales tax returns, if any, all pertinent original serially numbered sales slips and cash register records, and the other sales records as may be reasonably required by Franchisor, from time to time, to verify the Gross Sales reported by Franchisee to Franchisor, in a form suitable for an audit of Franchisee's records by an authorized auditor or agent of Franchisor. Such information shall be broken down by categories of goods, foods and beverages sold, when possible. Franchisor, its agents or representatives may, at any reasonable time during normal working hours, audit and review Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. If any audit or other investigation reveals an under-reporting or under-recording error of two percent (2%) or more, then in addition to any other sums due, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include, without limitation, Franchisor's travel, lodging and wage expenses and reasonable accounting and legal fees and expenses, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of eighteen percent (18%) per annum. Such payments will be without prejudice to any other rights or remedies Franchisor may have under this Agreement or otherwise.

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

13.5. **Use of Financial Statements In Disclosure Document**. Franchisee hereby irrevocably consents to Franchisor's use of information contained in Franchisee's financial statements, at Franchisor's election, in Franchisor's franchise disclosure document for the offer and sale of franchises.

14. INSURANCE

14.1. **Franchisee's Insurance Obligations**. Before beginning construction or remodeling of your Zero Degrees Unit, Franchisee shall obtain and maintain throughout the Term the types and amounts of insurance required by Franchisor and shall provide Franchisor with proof of coverage and Certificates of Insurance upon demand. Workers compensation insurance must be in compliance with local laws and regulations. All insurance shall protect Franchisee and Franchisor against any demand, claim and/or liability with respect to personal and bodily injury, death, and/or property damage, and/or any loss, liability, and/or expense whatsoever arising or occurring upon or in connection with the construction, condition, operation, use, or occupancy of the Zero Degrees Unit or Franchised Location. Each policy shall (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which the Zero Degrees Unit is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide (or equivalent, if not in existance), (ii) name Franchisor and its Affiliates as additional insureds, and (iii) comply with the requirements prescribed by Franchisor at the time the policies are obtained. Franchisee and Franchisee's insurers shall agree to waive their rights of subrogation against Franchisor and/or its Affiliates, and Franchisee shall provide evidence of the waiver in accordance with this Section 14.1. Franchisee's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 19.4.

Policies will include, at a minimum: (i) comprehensive general liability insurance, including product liability coverage with minimum coverage of $1,000,000 per occurrence and $3,000,000 in the agreegrate; (ii) property insurance coverage the perils of fire and extended coverage, vandalisim, and michief with coverage to be at replacement cost; (iii) course of contruction insurance at replacement cost; and (iv) Workers compensation insurance as required by applicable law.

14.2. **Required Endorsements and Certificates**. All public liability and property damage policies shall contain a provision that Franchisor and its Affiliates, although named as an additional insured, shall nevertheless be entitled to recover under the policies on any loss occasioned to Franchisor, or its Affiliates, partners, shareholders, directors, agents, or employees by reason of the negligence of Franchisee or its partners, shareholders, directors, agents, or employees. At least ten (10) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by the Certificates. Certificates evidencing the insurance required by this Section 14 shall name Franchisor, and each of its Affiliates, partners, shareholders, directors, agents, and employees as additional insureds on the additional-insured Grantor of Franchise Form CG-2029 or an insurer's comparable form, and shall expressly provide that any interest of each shall not be affected by any breach by Franchisee of any policy provisions for which the Certificates evidence coverage.

14.3. **Franchisor's Right to Secure Insurance on Behalf of Franchisee**. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as the requirements may be revised from time to time by Franchisor in the Manuals or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to immediately procure the insurance and to charge the same to Franchisee, which charges, together with Franchisor's fee of 10% of the premiums, in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

15. TRANSFER OF INTEREST

15.1. **Transfer by Franchisor**. Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal Entity without the consent or approval of Franchisee. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform the obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisor and/or its Affiliates may sell their assets, securities and business, the Zero Degrees Marks, and/or the Zero Degrees System, may sell securities in a public offering and/or in private placements, may merge, reorganize, acquire other Entities, and/or be acquired by another Entity, and may undertake a refinancing, recapitalization, leveraged buy-out, and/or other economic or financial restructuring, all without the consent or approval of Franchisee.

15.2. **Assignment by Franchisee**.

15.2.1. Franchisee acknowledges and agrees that the rights granted to Franchisee under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is an Entity, that of the Owners. Accordingly, Franchisee acknowledges and agrees that Franchisee shall not, and Franchisee has no right to, by operation of law or otherwise, whether in Franchisee's own name or in the name and/or on behalf of any person or Entity, directly or indirectly, offer, sell, assign, convey, transfer, pledge, donate, encumber or otherwise negotiate or deal with any third party, directly or indirectly, with respect to (i) this Agreement, (ii) any right or interest in this Agreement, including any Franchised Rights, or (iii) the right to use the Zero Degrees System or the Zero Degrees Marks or any part thereof (each an "**Assignment**"), without Franchisor's prior written consent.

15.2.2. Unless the Parties otherwise agree in writing, Franchisee shall not make or attempt to make any Assignment except in conjunction with a concurrent Assignment to the same Franchisor-approved assignee of all Zero Degrees Units then operated by Franchisee. As a condition to Franchisor's consent to an Assignment, among other things as set forth in this Agreement, the assignee must execute Franchisor's Then-Current form of Zero Degrees Franchise Agreement for each Zero Degrees Unit sold to the assignee.

15.2.3. Without Franchisor's prior written consent, which may be withheld or denied by Franchisor in its discretion, (i) Franchisee shall not offer for sale or transfer at public or private auction any of the rights of Franchisee under this Agreement, and (ii) Franchisee shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Franchisee shall provide not less than ten (14) days prior written notice (which notice shall contain the name and address of the secured party and the terms of the pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest of Franchisee's rights under this Agreement.

15.2.4. For purposes of this Agreement, each of the following events is, without limitation, an Assignment subject to the conditions to transfer identified in this Agreement: (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Franchisee pursuant to a transaction subject to registration under applicable securities laws or by private placement, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise, or any other events or transactions which, directly or indirectly, effectively changes the voting rights or control of Franchisee, (iv) the issuance of any securities by Franchisee which itself or in combination with any other transactions results in the Owners, as constituted on the Effective Date, owning less than fifty percent (50%) of the outstanding Equity or voting power of Franchisee, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected. Franchisee shall promptly provide Franchisor with written notice (stating the information that Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "**Assignment**" as defined under this Article 15.

15.2.5. Franchisor's right of first refusal set forth in Section 15.3 shall not apply to a transfer by Franchisee of all of Franchisee's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the Equity or voting interests of the new business Entity are owned by the same Owners (a "**Qualified Assignment**"), but the other terms and conditions of an Assignment set forth in this Article 15 shall apply to a Qualified Assignment. Any attempted or purported Assignment which fails to comply with the requirements of this Article 15 shall be null and void and shall constitute a Default under this Agreement.

15.3. **<u>Right of First Refusal</u>**.

15.3.1. Except with respect to a Qualified Assignment, if Franchisee or an Owner receives a bona fide written offer ("**Third Party Offer**") from a third party (the "**Proposed Buyer**") to purchase or otherwise acquire all interest in Franchisee which will result in an Assignment within the meaning of this Agreement, Franchisee shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to purchase or otherwise acquire all Zero Degrees Units then operated by Franchisee or its Affiliates.

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

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

15.3.4. If Franchisor or its nominee elects to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that Franchisor or its nominee makes such election.

15.3.5. If Franchisor does not elect to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Franchisee. If there is any material change in the terms of the Third Party

Offer before the closing of the sale, Franchisee shall provide notice of such change to Franchisor, and Franchisor or its nominee shall have a right of first refusal with respect to the new terms subject to the conditions stated in this Section 15.3.

15.4. **Conditions of Assignment to Third Party**. As a condition to obtaining Franchisor's consent to an Assignment, including any Qualified Assignment or an Assignment to a Proposed Buyer, the following conditions must be satisfied:

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

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

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

15.4.4. The Proposed Buyer must sign Franchisor's Then-Current form of Zero Degrees Franchise Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects, except that the term of replacement Zero Degrees Franchise Agreement shall be the remaining term of this Agreement. In exchange for signing the Then-Current Zero Degrees Franchise Agreement, the Proposed Buyer shall receive the rights of Franchisee provided for in this Agreement. If the Proposed Buyer is an Entity, each owner and each owner's spouse of the Proposed Buyer shall jointly and severally guarantee the Proposed Buyer's performance of its obligations in the Then-Current Zero Degrees Franchise Agreement under a Guarantee in the form of **Exhibit C**. If Franchisor is not offering new Zero Degrees franchises, is in the process of revising, amending or renewing Franchisor's form of Zero Degrees Franchise Agreement or franchise disclosure document or is not lawfully able to offer Franchisor's Then-

Current form of Zero Degrees Franchise Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the Term on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Zero Degrees Franchise Agreement.

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

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

15.4.7. Franchisee shall pay Franchisor the sum of 25% of the then-current Franchise Fee as a transfer fee to apply against Franchisor's administrative and other costs to process the Assignment. The first Qualified Assignment will incur no transfer fee.

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

Equity or voting interests of the Proposed Buyer must execute a Guarantee in a form acceptable to Franchisor.

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

15.4.10. Except when the assignee is an existing Zero Degrees Franchisee or franchisee of Franchisor, the Proposed Buyer, or a senior operations employee who will have general management and supervisory responsibilities for the Zero Degrees Unit who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment.

15.4.11. The Proposed Buyer must conform the Zero Degrees Unit with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Zero Degrees Units.

15.5. **Death or Incapacity**. In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Owner or the remaining Owners (each a "**Successor**") shall have one hundred eighty (180) days from the date of such death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Owner, or (ii) complete an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party, subject to the provisions of this Article 15. If a Successor has not purchased the interest of the deceased or incapacitated Owner or completed an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

15.6. **Transfer by Franchisee in Bankruptcy**. If, for any reason, this Agreement is not terminated pursuant to Section 17.1 and this Agreement is assumed, or Assignment of the same to any person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, setting forth (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept such Assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as set forth in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by the assignee for the Assignment of this Agreement.

16. **COVENANTS.**

16.1. **No Prior Experience, Information or Knowledge**. Franchisee specifically acknowledges and agrees that prior to becoming a franchisee of Franchisor, Franchisee had no experience, information or knowledge whatsoever about a specialty tea, coffee or smoothie shop or a Zero Degrees Unit and that Franchisee's knowledge of the Confidential Information was obtained solely from Franchisor, following Franchisee's training by Franchisor and Franchisee's subsequent operation of the Zero Degrees Unit under this Agreement. In addition, Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Zero Degrees System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.

16.2. **Non-Competition During Term of Agreement**. Franchisee and each Owner covenants that during the Term, except as otherwise approved in writing by Franchisor, Franchisee and each Owner shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal Entity:

16.2.1. divert or attempt to divert any present or prospective Zero Degrees customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with any Zero Degrees Marks or the Zero Degrees System or any part thereof; or

16.2.2. employ or seek to employ any person who is or has been within the previous thirty (30) days employed by Franchisor or an Affiliate of Franchisor as a salaried managerial employee, or otherwise directly or indirectly induce such person to leave his or her employment; or

16.2.3. own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business.

provided, however, the restrictions stated in this Section 16.2 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

16.3. **Non-Competition After Expiration or Termination of Agreement**. Except as Franchisor otherwise approves in writing, commencing upon the date of (i) an Assignment permitted under Article 15 of this Agreement, (ii) the Expiration Date of this Agreement, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 16.3, and continuing for an uninterrupted period of two (2) years thereafter, Franchisee and each Owner shall not own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located within twenty (20) miles of any Zero Degrees Units; provided, however, the restrictions stated in this Section 16.3 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

16.4. **Violation of Covenants**.

16.4.1. If Franchisee or any Restricted Person shall commit any violation of Section 16.3 during the two (2) year period following (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment during the Term, (iii) the cession of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 16.3, in addition to all other remedies available to Franchisor, Franchisee and the Restricted Person, jointly and severally, shall be obligated to pay Franchisor, throughout the twenty-four (24) month period, five percent (5%) of the revenue derived by Franchisee or the Restricted Person from the sale of all products and services and all other income of every kind and nature ("**Post Termination Gross Sales**") of the Competitive Business. Franchisee shall account for and pay the five percent (5%) of the Post Termination Gross Sales to Franchisor on the fifteenth day of each month on the Post Termination Gross Sales of the Competitive Business during the previous month. Franchisor shall have the right to audit the books and records of the competing business in accordance with Section 13.3 of this Agreement to confirm Franchisee's compliance with this Section 16.4, upon prior notice to Franchisee

16.4.2. Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages and expenses Franchisor will incur if Franchisee or any Restricted Person shall commit any violation of Section 16.3 due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months left to complete the Then-Current Term, the uncertainty regarding the Gross Sales of the Zero Degrees Unit during the remainder of the Then-Current Term, the amount of Royalty Fees Franchisee would have paid Franchisor based upon the Gross Sales of the Zero Degrees Unit and the like as well as the amount of the fees that Franchisor will collect from Franchisee upon the occurrence of the circumstances described in Section 16.3. Franchisor and Franchisee further acknowledge and agree that the five percent (5%) fee of Post Termination Gross Sales is a reasonable, good faith estimate of those damages.

16.5. **Exceptions to Covenants**. Sections 16.2 and 16.3 shall not apply to ownership by Franchisee or an Owner of a less than five percent (5%) beneficial interest in the outstanding Equity securities of any Competitive Business registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

16.6. **Reducing Scope of Covenants**. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 16.2 or 16.3, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof from Franchisor; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

16.7. **Covenants from Individuals**. Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 16 (including covenants applicable upon the termination of a person's relationship with Franchisee) from all Owners. Every covenant required by this Section 16.7 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

16.8. **Interference With Employment Relations**. Without Franchisor's prior written consent, during the Term and for a period of twenty-four (24) months following the termination, expiration or nonrenewal of this Agreement, or if there shall occur an Assignment, neither Franchisee, its Owner(s) or their respective Affiliates, officers, directors or managers, or any of them, shall in any capacity whatsoever, either directly or indirectly, hire, solicit or encourage to leave the employment of Franchisor, or any of its Affiliates, or any licensee or franchisee of Franchisor, any employee of Franchisor or its Affiliates (or any person who the persons knew or should have known was an employee of any licensee or franchisee of Franchisor) or hire any employee who has left the employment of Franchisor, or any of its Affiliates (or any licensee or franchisee) within one (1) year of the termination of the employee's employment with Franchisor, or any of its Affiliates or its Licensees or franchisees. The Franchisor and Franchisee agree that in such breach, actual damages would be extremely difficult to compute, and Franchisee agrees to pay the prior employer of such person liquidated damages equal to the greater of such person's prior annual salary or one half of the annual salary and any bonus paid or to be paid by Franchisee to such person during the first year of employment.

16.9. **Effect of Applicable Law**. In the event any portion of the covenants in this Article 16 violates Applicable Laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants in this Article 16, and Franchisee shall comply with any reduced covenant upon receipt of written notice. The provisions of this Article 16 shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

16.10. **Business Practices**. Franchisee shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**"). In connection with its compliance, Franchisee certifies, represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti- Terrorism Laws by Franchisee or Franchisee's employees or any "blocking" of Franchisee's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Franchisee has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 17.2.

16.11. **Survival**. The provisions of this Article 16 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor or any of its Affiliates for any infringement of, violation of, or interference with, this Agreement, or any Zero Degrees Marks, the Zero Degrees System or any part thereof, any Confidential Information, any Trade Secrets, or any other proprietary aspects of Franchisor's business.

17. DEFAULT AND TERMINATION

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

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

17.2.1. If Franchisee shall Abandon the Zero Degrees Unit for five consecutive days or for a lesser period if the facts and circumstances indicate that Franchisee does not intent to continue to operate the Zero Degrees Unit (except as result of fire, flood, earthquake, or similar causes beyond Franchisee's control);

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

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

17.2.4. If Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the operations of the Zero Degrees Unit.

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

17.2.6. If Franchisee's operation of the Zero Degrees Unit constitutes an imminent danger to the public health or if Franchisee sells unauthorized products or performs unauthorized services after Notice of Default and thereafter sells the products, whether or not Franchisee has cured the Default after one or more notices.

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

17.2.8. If Franchisee or any of its Owners are convicted of or pleads guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect Franchisor's reputation, the Zero Degrees System or any part thereof, any Zero Degrees Marks or any goodwill associated the same; however, if the crime or offense is committed by an Owner other than the Operating Partner, Franchisor may only terminate this Agreement under this Section 17.2.8 if the applicable Owner fails to sell its interest in Franchisee to Franchisee's other Owners within thirty (30) days after the conviction or plea.

17.2.9. If Franchisee misuses or makes any unauthorized use of any Zero Degrees Marks or otherwise impairs the goodwill associated therewith or Franchisor's rights therein.

17.2.10. If Franchisee takes any action which reflects materially and unfavorably upon the operation and reputation of the Zero Degrees Unit or the Zero Degrees chain generally.

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

17.2.12. If Franchisee fails to purchase and maintain in inventory the types and quantities of Zero Degrees Branded Products, Zero Degrees Proprietary Products or Non-Proprietary Products necessary to meet reasonably anticipated consumer demand, as determined by Franchisor.

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

17.2.14. If Franchisee Defaults in any obligation under this Agreement that by its nature is not capable of being cured by Franchisee within the cure period set forth in Section 17.3.

17.2.15. If Franchisee for any reason loses the right to possession of leased Franchise Location.

17.3. **Termination With Notice and Opportunity To Cure**. Except for any Default by Franchisee under Sections 17.1 or 17.2, and as expressly provided elsewhere in this Agreement, Franchisee shall have five (5) days, in the case of any monetary Default and ten (10) days in the case of any other type of Default, following the notice of default by Franchisor (a "**Notice of Default**") demanding the cure of the Default and to provide evidence of the cure to Franchisor. If any Default is not cured within that time period, or any longer time period that Applicable Law may require or that Franchisor may specify in the Notice of Default, this Agreement and all rights granted in this Agreement shall automatically terminate without further notice or opportunity to cure.

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

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

17.6. **Notice Required By Law**. Notwithstanding anything to the contrary contained in this Article 17, if any valid Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the Parties shall limit Franchisor's rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by that Applicable Law. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such Applicable Laws in any action, hearing or dispute relating to this Agreement or the termination of this Agreement.

17.7. **Interim Management**. After Franchisor has given Franchisee written notice that Franchisee is in Default, Franchisor may (but is not obligated to) assume interim management of the Zero Degrees Unit at the Franchised Location during the pendency of any cure period or in lieu of immediately terminating this Agreement. If Franchisor elects to assume interim management of the Zero Degrees Unit, (i) Franchisor's election will not relieve Franchisee of Franchisee's obligations under this Agreement, (ii) Franchisor will not be liable for any debts, losses, costs or expenses incurred in the operation of the Zero Degrees Unit during any interim management period, all of which shall be Franchisee's responsibility and liability, (iii) Franchisor will have the right to charge a reasonable fee for the management services, and (iv) Franchisee agrees to, and hereby does, indemnify and hold Franchisor harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to reasonable attorneys' fees and costs) incurred in connection with the interim management of the Zero Degrees Unit, other than those arising solely from the gross negligence or willful misconduct of Franchisor.

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

17.9. **Termination by Franchisee**. Franchisee may terminate this Agreement due to a material default by Franchisor of its obligations hereunder, which default is not cured by Franchisor within sixty (60) days after Franchisor's receipt of prompt written notice by Franchisee to Franchisor detailing the alleged default with specificity; provided, that if the default is such that it cannot be reasonably cured within such sixty (60) day period, Franchisor shall not be deemed in default for so long as it commences to cure such default within such sixty (60) days and diligently continues to prosecute such cure to completion. This Section 17.9 contains material terms of this Agreement and a mediator, arbitrator or other Governmental Authority shall not, and shall not have the power or authority to, waive, modify or change the terms of this Section 17.9 in any proceedings or otherwise. If Franchisee terminates this Agreement pursuant to this Section 17.9, Franchisee shall comply with all of the terms and conditions of Article 18.

18. OBLIGATIONS FOLLOWING TERMINATION OR EXPIRATION

18.1. **General.** Upon the expiration or termination of this Agreement or Franchisee's rights granted under this Agreement, Franchisee shall immediately cease to use all Trade Secrets, Confidential Information, the Zero Degrees System, the Zero Degrees Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall at its own cost immediately return the Manuals and all written materials incorporating any Trade Secrets or any other Confidential Information and all copies, reproductions, summaries and extracts of any of the foregoing to Franchisor. Franchisee shall at its own cost make cosmetic changes to the Franchised Location so that it no longer contains or resembles a Zero Degrees Unit or any of Franchisor's proprietary designs, and shall remove all Zero Degrees Marks, Zero Degrees identifying materials and Zero Degrees cosmetic features and finishes, soffits, interior wall coverings and colors, exterior finishes and colors and signage from the Franchised Location that Franchisor may direct.

18.2. **Prior Payments**.

18.2.1. Franchisor may retain all amounts paid to Franchisor pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts remaining due to Franchisor and/or its Affiliates. If this Agreement terminates due to a Default by Franchisee, the amounts to be paid by Franchisee shall include all damages, and costs, and expenses, including reasonable attorneys' fees and costs, incurred by Franchisor in connection with the Default, which obligation shall remain, until paid in full. Franchisee hereby grants to Franchisor a lien in favor of Franchisor against all assets of Franchisee to secure payment of such amounts. Franchisee hereby appoints Franchisor as its attorney in fact, with full power and authority to execute and record on Franchisee's behalf all documents necessary or appropriate to obtain and perfect this lien.

18.2.2. In addition to the foregoing, Franchisee shall pay Franchisor, within thirty (30) days following the date of termination, an amount equal to the product of two (2) multiplied by the total Royalty Fees paid (or if unpaid, payable) by Franchisee during the twelve (12) months immediately preceding the effective date of termination to account for the actual damages that Franchisor shall suffer as a result of the termination of this Agreement during the time period that Franchisor estimates will expire while Franchisor searches for a replacement franchisee for the Zero Degrees Unit or for a replacement Zero Degrees Unit location in the trade area of the Zero Degrees Unit. Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages Franchisor will incur upon the termination of this Agreement due to the complications inherent in determining the amount of revenue lost by Franchisor and the uncertainty regarding the number of months that will expire while Franchisor searches for a replacement franchisee for the Zero Degrees Unit or for a replacement Zero Degrees Unit location in the trade area of the Zero Degrees Unit. Franchisor and Franchisee further acknowledge and agree that this calculation of Franchisor's potential damages is a reasonable, good-faith estimate of those damages. If Franchisor is unable to make this calculation because of Franchisee's failure to report the Gross Sales of the Zero Degrees Unit, Franchisor may estimate the Gross Sales of the Zero Degrees Unit for the applicable period based upon the historical financial information available to Franchisor at that time.

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

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

18.5. **Internet**. If Franchisor has previously authorized Franchisee to use any Zero Degrees Marks on the Internet, any web site or on any e-mail address, Franchisee shall, at Franchisor's option, cancel or assign to Franchisor all of Franchisee's right, title and interest in any Internet web sites, web pages and content therein, e-mail addresses, domain name listings, URLs and registrations which contain any Zero Degrees Marks, and Franchisee shall notify all applicable domain name registrars and all listing agencies of the termination of Franchisee's right to use those domain names, web pages, content and other Internet service associated with Franchisor, the Zero Degrees Unit or the Zero Degrees System, or any part thereof, and shall authorize their cancellation or transfer to Franchisor, as directed by Franchisor. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this option.

18.6. **Purchase Zero Degrees Unit Assets**. Upon the expiration of this Agreement or the termination of this Agreement for any Default of Franchisee, Franchisor shall have the option, to be exercised by written notice to Franchisee within thirty (30) days after the Expiration Date or termination date, to purchase the any and all assets of Franchisee related to the Zero Degrees Unit, regardless of whether the Zero Degrees Unit is under construction or is Open and operating, and all of assets of Franchisee related to the Zero Degrees Unit that Franchisor elects to purchase (collectively, the "**Zero Degrees Unit Assets**"). The purchase price for the Zero Degrees Unit Assets (the "**Purchase Price**") shall be the "**Fair Market Value**" of the Zero Degrees Unit Assets as determined under this Section 18.6. "**Fair Market Value**" means the price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the date the option is first exercisable (the "**Exercise Date**"). Franchisor and Franchisee shall use their best efforts to mutually agree upon the Fair Market Value. If they are unable to so agree within thirty (30) days after the Exercise Date, Franchisor shall appoint, within forty (40) days of the Exercise Date, one (1) appraiser, and Franchisee shall appoint within forty (40) days of the Exercise Date, one (1) appraiser. The two (2) appraisers shall within a period of five (5) additional days, agree upon and appoint an additional appraiser. The three (3) appraisers shall, within sixty (60) days after the appointment of the third appraiser, determine the Purchase Price in writing and submit their report to Franchisor and Franchisee. The Purchase Price shall be determined by disregarding the appraiser's valuation that diverges the greatest from each of the other two (2) appraisers' valuations, and the arithmetic mean of the remaining two (2) appraisers' valuations shall be the Purchase Price. Franchisor and Franchisee shall each pay for the services of the appraiser they select, plus one half (1/2) of the fee charged by the third appraiser, and one half (1/2) of all other costs relating to the determination of the Purchase Price. The Purchase Price as so determined shall be payable as Franchisor and Franchisee mutually agree. If they are unable to so agree within ten (10) days after final determination of the Purchase Price, fifty percent (50%) of the Purchase Price shall be payable in cash and the remaining fifty percent (50%) of the Purchase Price shall be paid in eighty-four (84) equal monthly payments and shall bear interest at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), OR ten percent (10%) per annum, but in no event in excess of the maximum rate permitted by Applicable Law. Payment of the portion of the Purchase Price not paid in cash shall be secured by a security interest in the Zero Degrees Unit Assets. Any purchase of the Zero Degrees Unit Assets shall include the assumption by Franchisor and the assignment by Franchisee, of the Lease for the Zero Degrees Unit.

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

18.8. **No Ownership of Zero Degrees Marks or Zero Degrees System**. Franchisee acknowledges and agrees that the rights to the Zero Degrees Marks and the Zero Degrees System, and the right to use the Zero Degrees Marks and the Zero Degrees System shall be and remain the property of Franchisor. Franchisee acknowledges and agrees that any use of any Zero Degrees Marks or any Zero Degrees System or any part thereof after the termination or expiration of this Agreement by Franchisee shall constitute unauthorized use and a misappropriation of Franchisor's property and shall entitle Franchisor to relief and remedies against Franchisee, including damages due to, but not limited to, trademark infringement, counterfeiting and misappropriation.

18.9. **Government Filings.** If Franchisee has registered or applied for registration of any of the Zero Degrees Marks or the name Zero Degrees as part of an assumed, fictitious or corporate name, Franchisee shall promptly terminate or amend those registrations or applications to delete such Zero Degrees Marks and any confusingly similar marks or names. Nothing in this Section 18.9 is intended to authorize or allow Franchisee to make any such application or seek to obtain any such registration.

19. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

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

19.2. **Public Notice of Independent Status**. Franchisee shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent franchisee of Franchisor, and shall place the notice of independent ownership on all forms, including business cards, stationary, purchase order forms, invoices, leases, and tax returns. Franchisor shall have the right to specify such or similar language of any notice. Franchise must conspicuously display a sign that says "THIS ZERO DEGREES IS AN INDEPENDENTLY OPERATED FRANCHISED BUSINESS OWNED BY [insert Franchisee's full legal name] AT [insert the address of the Franchised Location].

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

19.4. **<u>Indemnification</u>**. Franchisee and its Owners and Affiliates (collectively, the "**Indemnitors**") shall jointly and severally indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Franchisor and its Constituents (collectively, the "**Indemnitees**"), from any and all "**Losses and Expenses**" (as defined below) incurred in connection with any litigation, proceeding, procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether the same is reduced to judgment) and/or any settlement thereof (collectively, an "**Indemnifiable Claim**") which arises directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Zero Degrees Unit and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Franchisee; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this <u>Section 19.4</u> shall extend to any finding of comparative negligence or contributory negligence attributable to Franchisee). For the purpose of this <u>Section 19.4</u>, the term "**Losses and Expenses**" shall mean and include compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a person or Entity's reputation or goodwill, and all other costs associated with any of the foregoing.

19.4.1. The Indemnitee shall give Franchisee notice of any Indemnifiable Claim of which such Indemnitee is aware for which indemnification is sought under this <u>Section 19.4</u> The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against such Indemnitee (a "**Third Party Claim**") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against such Indemnitee (a "**Direct Claim**"), and shall also describe (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known.

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

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

19.4.4. If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed, at the Indemnitors' expense. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they become available); provided, however, that the Indemnitees are not required to share attorney-client privileged communications between an Indemnitee and its attorney.

19.4.5. With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary . For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Article 20.

20. **DISPUTE RESOLUTION**

20.1. **Arbitration**. The Parties pledge to attempt first to resolve any Dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association or its successor ("**AAA**") unless Franchisor and Franchisee agree on alternative rules and a mediator within fifteen (15) days after either Party first gives notice of mediation. Mediation shall be conducted in Orange County, California, and shall be conducted and completed within forty-five (45) days following the date either Party first gives notice of mediation unless otherwise agreed to in writing by Franchisor and Franchisee. The fees and expenses of the mediator shall be shared equally by Franchisor and Franchisee. The mediator shall be disqualified as a witness, expert or counsel for any Party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and Franchisor and Franchisee shall not be discoverable or admissible in any legal or other proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any Party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing Party attorneys' fees in any subsequent legal action. If any dispute remains unresolved ninety (90) days after a demand for mediation by either Party, Franchisor and Franchisee shall each be free to pursue their respective legal remedies under Section 20.2.

20.2. **Judicial Relief**. The Parties agree that (i) all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Orange, or the United States District Court of the Central District of California, Southern Division. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these courts and agree not to commence any action of any kind except in these courts. This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Zero Degrees Unit is located outside of California and such provision would be enforceable under the laws of the state in which the Zero Degrees Unit is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 20.2 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

20.3. **Waivers**. The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of any facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Franchise, for themselves, and for and on behalf of the Franchisor's Affiliates and the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Franchisee shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 20.5.

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

20.5. **Exclusive Remedy**. In the event a Party makes any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement, the Party making such claim hereby waives any claim for damages and neither Party may claim any damages by way of setoff, counterclaim or defense in connection therewith. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

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

21. **NOTICES**

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by courier delivery for next business day delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) one (1) business day after delivery by the Party giving the notice, statement or demand if by courier for next business day delivery with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by certified mail, return receipt requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

ZERO DEGREES ITALIAN ICE, INC.
3921 E. La Palma Avenue #R
Anaheim, California 92807
Attention: Legal

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

Garcia & Phan, APLC
17011 Beach Blvd. Suite 540
Huntington Beach, California 92647
Attention: Jimmy Nguyen, Esq.

Notices to Franchisee: ____________________________
____
____
____
Attention: ___________________

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

22. **ACKNOWLEDGMENTS.**

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

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

22.3. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and its permitted successors and permitted assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.

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

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

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

22.7. **Gender and Construction.** The terms of all Exhibits referenced herein and attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section in this Agreement may require. As used in this Agreement, the words “include,” “includes” or “including” are used in a non-exclusive sense and shall be interpreted to mean “including without limitation” or “including but not limited to”. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Franchisee that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. On any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable. To the extent there is any conflict between this Agreement and the Franchise Agreement, the Franchise Agreement shall control and govern.

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

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

22.10. **Intent to Comply**. Franchisee, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply with the terms of this Agreement and be bound by the terms of this Agreement. Franchisor expressly disclaims making, and Franchisee acknowledges that it or they have not received or relied on any representation, warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement.

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

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

22.13. **Opportunity to Consult**. Franchisee acknowledges that it has read and understood this Agreement, the Exhibits, and all other agreements relating hereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

22.14. **Franchise Disclosure Document**. Franchisee acknowledges that it has received a copy of the complete Zero Degrees Franchise Disclosure Document which contains a copy of this Agreement, at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Franchisee acknowledges and agrees that Franchisor has made no promises, representations, warranties or assurances to Franchisee which are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document, concerning the profitability or likelihood of success of the Zero Degrees Unit, that Franchisee has been informed by Franchisor that there can be no guarantee of success in the franchised business and that Franchisee's business ability and aptitude is primary in determining his success.

22.15. **Atypical Terms**. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other Zero Degrees Franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement. Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation, express or implied, that all Zero Degrees Franchise Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Zero Degrees Franchise Agreements previously executed or executed after the date of this Agreement with other Zero Degrees Franchisees in a non-uniform manner.

22.16. **General Terms**. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor. Franchisee has read this Agreement and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of service and quality and the uniformity of those standards at all Zero Degrees Units in order to protect and preserve the Zero Degrees System and the goodwill of the Zero Degrees Marks. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the Zero Degrees System may evolve and change over time, that an investment in this franchise involves business risks, and that the success of the investment depends upon Franchisee's business ability and efforts. The Parties acknowledge and agree that each Party has been represented by independent legal counsel of their choice in connection with this Agreement or has had the opportunity to have legal counsel review this Agreement and advise such Party regarding the same, but has voluntarily chosen not to do so. Franchisee has not received or relied upon any representation, promise or guarantee, express or implied, about the revenues, profits or success of the business venture contemplated by this Agreement.

Franchisee acknowledges and agrees that no representations have been made by Franchisor or its Affiliates or their respective officers, directors, managers, shareholders, employees, agents, representatives, or advisors that are contrary to any of the terms or conditions contained in this Agreement.

(Signature Page Follows)

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

FRANCHISOR:

ZERO DEGREES ITALIAN ICE, INC.,

A California corporation

By:

____

Name:

____

Title:

____

FRANCHISEE:

____

a ____________________________________

By: __________________________________

Name: ________________________________

Title:

____

ENTITY INFORMATION DISCLOSURE
ZERO DEGREES ITALIAN ICE, INC.

FRANCHISE AGREEMENT

EXHIBIT A
ENTITY INFORMATION DISCLOSURE

Franchisee represents and warrants that the following information is accurate and complete in all material respects and agrees to requirements required herein:

1) Franchisee is a (check as applicable):

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

State of incorporation/organization: ________________________

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

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

4) The name and address of each Owner is (attach additional pages if necessary):

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

5) The names, addresses and titles of each Owner who will be devoting their full time to the Zero Degrees Unit are:

NAME	ADDRESS	TITLE

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

____.

7) The Operating Partner is ____.

8) The Entity will/has the sole purpose of operating a Zero Degrees Unit

9) Franchisee will cause it's certificates or other document of ownership to have a legend referencing the restrictions substantially as follows:

"The transfer of ownership in this company is subject to the terms and conditions of the Zero Degreesd Franchise Agreement. Reference is made to such Franchise Agreement and to the restrictive provisions contained in the orgination documents of this company."

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

FRANCHISOR:

ZERO DEGREES ITALIAN ICE, INC.,

A California corporation

By: ________________________________

Name: ________________________________

Title: ________________________________

FRANCHISEE:

____

A ________________________________

By: ________________________________

Name: ________________________________

Title: ________________________________

ZERO DEGREES ITALIAN ICE, INC.

FRANCHISE AGREEMENT

EXHIBIT B
FRANCHISED LOCATION

ZERO DEGREES ITALIAN ICE, INC.
FRANCHISE AGREEMENT

EXHIBIT B
FRANCHISED LOCATION

The following site has been selected and approved as the "**Franchised Location**" for the "**Zero Degrees Unit**" in accordance with the Franchise Agreement entered into between Franchisor and Franchisee and dated _______________ 20__:

____
____

FRANCHISOR MAKES NO REPRESENTATION OF ANY KIND THAT ANY PLANS PROVIDED TO FRANCHISEE OR REVIEWED BY FRANCHISOR ARE IN CONFORMANCE WITH LOCAL BUILDING CODES, ORDINANCES, PERMIT REQUIREMENTS, LEASE, SUBLEASE OR ANY DEED RESTRICTIONS OR REQUIREMENTS (the "LOCAL REQUIREMENTS").

FRANCHISOR MAKES NO REPRESENTATION OF ANY KIND THAT ITS ACCEPTANCE OF THE LOCATION IN ANY WAY CONSTITUTES ITS GUARANTEE THAT SUCH LOCATION SHALL BE SUCCESSFUL.

FRANCHISEE'S AUTHORIZED SIGNATURE BELOW SHALL SIGNIFY ACCEPTANCE OF SUCH PLANS TO WHICH FRANCHISEE SHALL ADHERE IN THE CONSTRUCTION OR RENOVATION OF THE FRANCHISE LOCATION, MODIFIED ONLY SO AS TO COMPLY WITH SUCH LOCAL REQUIREMENTS.

COMPLIANCE WITH SUCH LOCAL REQUIREMENTS SHALL AT ALL TIMES BE THE SOLE OBLIGATION AND RESPONSIBILITY OF FRANCHISEE. ALL COSTS WITH RESPECT TO MODIFYING THE PLANS AS WELL AS THE COSTS OF THE IMPROVEMENTS ARE THE SOLE RESPONSIBILITY OF FRANCHISEE.

IN WITNESS WHEREOF, the Parties have executed this Exhibit B on _________________[DATE].

FRANCHISOR:
ZERO DEGREES ITALIAN ICE, INC.,

A California corporation

By: ___________________________________

Name: ________________________________

Title: _________________________________

FRANCHISEE:

____

A ___________________________________

By: __________________________________

Name: _______________________________

Title: ________________________________

ZERO DEGREES ITALIAN ICE, INC.
FRANCHISE AGREEMENT

EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT

ZERO DEGREES ITALIAN ICE, INC.
FRANCHISE AGREEMENT

EXHIBIT C
GUARANTEE OF FRANCHISE AGREEMENT

The undersigned ("**Guarantors**") have requested **ZERO DEGREES ITALIAN ICE, INC.**, a California corporation ("**Franchisor**"), enter into that certain Franchise Agreement dated ____________________ (the "**Franchise Agreement**") with ____ ("**Franchisee**"). All capitalized terms not otherwise defined in this Guarantee shall have the same meaning as in the Franchise Agreement. Guarantors acknowledge and agree that Guarantors have received, read and fully understand the Franchise Agreement and Franchisee's obligations thereunder.

In consideration for, and as an inducement to, Franchisor's execution of the Franchise Agreement, Guarantors hereby jointly and severally agree as follows:

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

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

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

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

5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Franchisee or any other person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in Franchisor's power, (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby, (iii) any defense that may arise by reason of Franchisee's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Franchisee, any other or others, (iv) any defense arising out of any alteration of the Franchise Agreement or the Obligations, (v) notice of Franchisee's Default in the payment or performance of any of the Obligations, (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or obligations or of any action or non-action on the part of Franchisee, Franchisor, any endorser, creditor of Franchisee or Guarantors under this or any other instrument, or any other person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed, (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of

subrogation and reimbursement against Franchisee by operation of Applicable Law or otherwise, (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Franchisee, regardless of whether Franchisor has reason to believe that those facts materially increase the risk beyond that which Guarantors intends to assumes or has reason to believe that the facts are unknown to Guarantors or has a reasonable opportunity to communicate the facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Franchisee's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed, and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

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

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained herein, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through 2856(a)(2), inclusive, which includes, without limitation, any rights and defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Sections 2899 and 3433.

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

of any rights or remedies or by any action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The obligations of Guarantors shall be primary and are independent of the obligations of Franchisee and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Franchisee or any other person or Entity, or applying or enforcing any security of the Franchise Agreement.

9. Nether any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter hereof and no representation, understanding, promise or condition concerning the subject matter hereof shall bind Franchisor unless expressed herein.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Article 21 of the Franchise Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantors' signature below.

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

12. This Guarantee shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of California, and if the Zero Degrees Unit is located outside of California and such provision would be enforceable under the laws of the state in which the Zero Degrees Unit is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in

connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Orange. Guarantors hereby submit to the jurisdiction of the Superior Court of the County of Orange, California and the United States District Court for the Central District of California, Southern Division.

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

____ Date: ____________________

____ Date: ____________________

ZERO DEGREES ITALIAN ICE, INC.
FRANCHISE AGREEMENT

EXHIBIT D
DEBIT AUTHORIZATION FORM (DIRECT DEBITS)
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

DEBIT AUTHORIZATION FORM (DIRECT DEBITS)
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

The undersigned franchisee/depositor ("**Depositor**") hereby (1) authorizes ZERO DEGREES ITALIAN ICE, INC. and its affiliates ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below and (2) authorizes the depository designated below ("**Depository**") to debit such account pursuant to Franchisor's instructions.

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

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

______________________________	______________________________
DEPOSITOR (Print Name)	DEPOSITORY (Print Name)
By: ______________________________	By: ______________________________
Its: ______________________________	Its: ______________________________

ZERO DEGREES ITALIAN ICE, INC.
FRANCHISE AGREEMENT

EXHIBIT E
ADDENDUM FOR OPERATING ZERO DEGREES UNIT PURCHASE

ZERO DEGREES ITALIAN ICE, INC.
FRANCHISE AGREEMENT

EXHIBIT E
ADDENDUM FOR ZERO DEGREES UNIT PURCHASE

THIS ADDENDUM FOR ZERO DEGREES UNIT PURCHASE (this "**Addendum**") is made and entered into as of_____________, by and between **ZERO DEGREES ITALIAN ICE, INC.**, a California corporation ("**Franchisor**"), on the one hand, and _______________________ (collectively "**Franchisee**"), on the other hand, with reference to the following facts.

A. Franchisee has purchased the assets of a Zero Degrees Unit (the "**Zero Degrees Unit**") from an affiliate of Franchisor.

B. Franchisor and Franchisee have entered into a Franchise Agreement (the "**Franchise Agreement**"), which they wish to modify by means of this Addendum, with respect to the operation of the Zero Degrees Unit.

C. Due to fact that Franchisee is purchasing an existing and operating Zero Degrees Unit, certain provisions of the Franchise Agreement are not applicable to Franchisee, and Franchisee and Franchisor wish to modify the Franchise Agreement accordingly.

D. All capitalized terms not otherwise defined in this Addendum shall have the same meaning as in the Franchise Agreement.

NOW, THEREFORE, IT IS AGREED:

1. The following Sections of the Franchise Agreement shall be deleted in their entirety and have no force or effect: Sections 5.1, 5.3 and 5.4.

2. This Addendum shall be considered an integral part of the Franchise Agreement, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date first shown above.

FRANCHISOR	**FRANCHISEE**:
ZERO DEGREES ITALIAN ICE, INC., A California corporation	________________________________
	A ______________________________
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: ____________________________

ZERO DEGREES ITALIAN ICE, INC.
FRANCHISE AGREEMENT

EXHIBIT F
LEASE PROVISIONS

Please give the following language to your prospective Landlord and ask that it be added to the terms of the lease by addendum or exhibit. We will not approve leases that do not include substantially similar provisions:

1. The Lease may not be amended, assigned or sublet without **ZERO DEGREES ITALIAN ICE, INC.'s** (**ZERO DEGREES**) prior written consent.

2. **ZERO DEGREES** shall have the right (but not the obligation) to succeed to Tenant's rights under the Lease if Tenant fails to exercise any option to renew and/or extend the term of the Lease

3. Landlord will simultaneously give written notice to both **ZERO DEGREES ITALIAN ICE, INC.** (**ZERO DEGREES**) and Tenant of any default under the lease. If Tenant does not cure any curable default during the time allowed by the lease, **ZERO DEGREES** may have an additional 15 calendar days or until **ZERO DEGREES** notifies Landlord that it does not wish to assume the lease, whichever is less, within which to cure the default on its own behalf as assignee of the lease. **ZERO DEGREES** will indemnify Landlord for any losses or damages it incurs by reason of allowing the additional cure period. Notice will be directed to **ZERO DEGREES** at 3921 E. La Palma Ave. #E, Anaheim, California 92807.

4. If the Lease is terminated for any reason or if the franchise agreement between **ZERO DEGREES** and Tenant is terminated for any reason, **ZERO DEGREES** may enter the leasehold premises for purposes of removing all signs and other materials bearing **ZERO DEGREES**'s trade name, marks, or other commercial symbols, but may not damage the leasehold premises in taking these actions or must promptly repair any damage in a manner satisfactory to Landlord.

5. If the Lease is terminated for any reason or if the franchise agreement between **ZERO DEGREES** and Tenant is terminated for any reason, Tenant shall have the unrestricted right, without the Landlord's consent and without any further action on its part, to assign or sublet the leased premises to **ZERO DEGREES**, or any franchisee or licensee approved by Franchisor,Tenant consents to assignment,

without further action on its part, of this lease by Landlord to **ZERO DEGREES**. Under these circumstances, Landlord will not unreasonably withhold its consent to subsequent assignment or sublet of the lease by **ZERO DEGREES** to another **ZERO DEGREES** Franchisee with qualifications comparable to those of Tenant.

6. Franchisee shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any franchisee or licensee approved by Franchisor,

7. Landlord may, on **ZERO DEGREES**'s written request, disclose to **ZERO DEGREES** any reports, information, or data in Landlord's possession regarding sales made in, on, or from the leased premises and **ZERO DEGREES** may disclose Tenant's sales or status to Landlord.

8. The leased premises may be used by Tenant only for operation of a **ZERO DEGREES** Unit. The premises may not be sublet or assigned by Tenant without ZERO DEGREES' written consent.

ZERO DEGREES ITALIAN ICE, INC.
FRANCHISE AGREEMENT

EXHIBIT G

ASSIGNMENT OF TELEPHONE NUMBERS, E-MAIL ADDRESSES, AND WEB ADDRESSES, AND SPECIAL POWER OF ATTORNEY

1. ____________________________________[Franchisee's legal name] (Franchisee), to induce ZERO DEGREE'S ITALIAN ICE (Franchisor) to grant Franchisee a franchise, assigns to Franchisor all telephone numbers, e-mail addresses, web addresses and listings (collectively "Addresses") that Franchisee advertises, publicizes, or otherwise makes known to customers or the public in the operation of a ZERO DEGREES franchised Restaurant, both now and in the future, in the city where the Restaurant is operated.

2. This assignment will automatically become effective immediately upon Termination (meaning "termination, expiration, or nonrenewal) of Franchisee's ZERO DEGREE's franchise. When the franchise is terminated, Franchisee agrees to do whatever is necessary to cause the companies providing service to the Restaurant to promptly transfer its Addresses to Franchisor or its designee.

3. Franchisee agrees to pay these service providers, on or before the date when the franchise is Terminated, all amounts Franchisee owes it in connection with the Addresses, including payment for any advertisements or listings in a classified directory or directories. Franchisee further agrees to indemnify Franchisor for any money Franchisor must pay the service providers before the service providers will carry out this agreement.

4. Franchisee appoints Franchisor as attorney-in-fact to sign any documents and do any things necessary to carry out this agreement if Franchisee fails to sign or do them within 3 business days after termination of the franchise agreement. Franchisee further agrees to indemnify Franchisor for any expenses, including legal fees, that

Franchisor incurs which would not have been incurred if Franchisee had performed as promised under this agreement.

FRANCHISEE:

____

A(n)_______________________________

Address: ___________________________

____

By: _________________________________

Name: ______________________________

Title: _______________________________

EXHIBIT B

AREA DEVELOPMENT AGREEMENT AND ATTACHMENT

ZERO DEGREES ITALIAN ICE, INC.
AREA DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

EXHIBITS

ZERO DEGREES ITALIAN ICE, INC.
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "**Agreement**") is made and entered into as of _____________ (the "**Effective Date**"), by and between **ZERO DEGREES ITALIAN ICE, INC.**, a California corporation ("**Franchisor**"), on the one hand, and _________________________, a_____________________________ ("**Area Developer**"), on the other hand, who are individually referred to in this Agreement as a "**Party**", and collectively referred to in this Agreement as "**Parties**." Capitalized terms used but not defined within the context of this Agreement are defined in Article 1.

RECITALS

A. Franchisor and Franchisor's Affiliates have developed and continue to develop the Zero Degrees Italian Ice System for the establishment and operation of one or more Zero Degrees Restaurants using one or more Zero Degrees Italian Ice Marks.

B. Franchisor desires to expand and develop Zero Degrees Restaurants in the Development Area and Area Developer desires to develop and operate two or more Zero Degrees Restaurants in the Development Area in strict compliance with the terms of this Agreement.

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

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

"**Additional Area Development Agreement**" shall have the meaning set forth in Section 2.6.

"**Additional Development Notice**" shall have the meaning set forth in Section 2.6.

"**Additional Development Obligation**" shall have the meaning set forth in Section 2.6.

"**Additional Development Plan**" shall have the meaning set forth in Section 2.6.

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

"**Anti-Terrorism Laws**" shall have the meaning set forth in Article 16.

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

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

"**Assignment**" shall have the meaning set forth in Section 9.2.

"**Authorized Zero Degrees Italian Ice Products**" means all Zero Degrees Italian Ice Branded Products, Zero Degrees Italian Ice Proprietary Products and Non- Proprietary Products offered for sale or use at one or more Zero Degrees Restaurants, as specified by Franchisor from time to time.

"**Capital Event**" shall have the meaning set forth in Section 9.1.

"**Competitive Business**" means any shop, establishment or business that prepares, offers or sells teas, smoothies, slushies, coffee beverages, shaved ice, or other specialty beverages as a primary menu item or any shop, establishment or business that looks like, copies, imitates, or operates with a similar trade dress or décor to the Zero Degrees Restaurant.

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

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

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

"**Development Fee**" means $45,000 multiplied by the number of Zero Degrees Restaurants to be developed by Area Developer under this Agreement as set forth on **Exhibit B**.

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

"**Direct Claim**" shall have the meaning set forth in Section 14.4.1.

"**Disclosure Document**" shall have the meaning set forth in Section 5.3.

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

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

"**Exercise Date**" shall have the meaning set forth in Section 12.2.

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

"**Fair Market Value**" shall have the meaning set forth in Section 12.2.

"**Final Acceptance**" shall have the meaning set forth in Section 5.2.

"**Force Majeure**" means any event that satisfies all of the following criteria: (i) that was reasonably unforeseeable as of the Effective Date, (ii) that is beyond the reasonable control, directly or indirectly, of a Party, (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence, (iv) that does not result from the fault or negligence of that Party or any of its agents, employees or contractors, and (v) that causes the Party to be delayed, in whole or in part, or that cause that Party to be unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of all of the foregoing criteria, Force Majeure shall include: (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance, (d) unilateral governmental action impacting tea, coffee or smoothie shops generally, and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy. Notwithstanding the foregoing, neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Area Developer by any lender, landlord, contractor, or other person, or Area Developer's financial inability to perform or Area Developer's insolvency, shall be an event of Force Majeure hereunder.

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

"**Franchised Location**" shall have the meaning set forth in Section 5.1.

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

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

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

"**Gross Sales**" means the total of all revenues and value derived from sales of any nature or kind whatsoever from the Zero Degrees Restaurants during the Term, whether evidenced by cash, services, property, barter, or other means of exchange or benefit, including orders taken in or from a Zero Degrees Restaurant although filled elsewhere. "Gross Sales" shall include the full value of beverages and foods that Area Developer provides to its employees or personnel as incident to or in connection with their employment or services (less the amount of any normal and ordinary course of business discounts against Gross Sales given during the month in which the beverages and foods were provided), plus the full value of beverages and foods that Area Developer provides for promotional or marketing purposes, plus all proceeds from the sale or provision of coupons, gift certificates, vouchers, or similar items. "Gross Sales" shall exclude the amount of bona fide refunds paid to customers, the amount of any sales or use taxes actually paid to any Governmental Authority, and the retail price of any coupons, gift certificates and vouchers sold in the ordinary course of business when they are redeemed by customers in the ordinary course of business.

"**Indemnifiable Claim**" shall have the meaning set forth in Section 14.4.

"**Indemnitees**" shall have the meaning set forth in Section 14.4.

"**Indemnitors**" shall have the meaning set forth in Section 14.4.

"**Initial Franchise Fee**" means the initial fee of $40,000 payable under each Franchise Agreement for each Zero Degrees Restaurant developed, opened and operated by Area Developer in the Development Area in accordance with **Exhibit B**.

"**Landlord**" means the real property owner of a Franchised Location who enters into a Lease with Area Developer for a Franchised Location or such owner's property manager or other representative.

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

"**Losses and Expenses**" shall have the meaning set forth in Section 14.4.

"**Manuals**" means Franchisor's 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 related to the Zero Degrees Italian Ice System or any part thereof, as they such manuals may be amended, supplemented, issued and revised from time to time by Franchisor.

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

"**Non-Proprietary Products**" means solely the food products, condiments, liquid, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, menus, packaging, forms, POS Systems, computer hardware, off-the-shelf software, modems, printers and other computing peripheral equipment that Area Developer may or must use, offer or sell at the Zero Degrees Restaurant and that, in all cases, are generally available to persons in the food and beverage industry. Notwithstanding anything to the contrary, "Non-Proprietary Products" shall not include any Zero Degrees Italian Ice Branded Products or any Zero Degrees Italian Ice Proprietary Products.

"**Non-Traditional Venues**" means a broad variety of atypical retail sites, including, without limitation, a site, venue 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, other shop or movie theater), food courts operated by a master concessionaire and any site for which the lessor, owner or operator limits the operation of its beverage and/or food service facilities to a master concessionaire or contract beverage service provider.

"**Open**", "**Open For Business**", "**Opened**" and "**Opened For Business**" means Area Developer has actually begun to sell food products to the public from a Zero Degrees Restaurant.

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

"**Owner**" means any direct or indirect shareholder, member, general or limited partner, trustee, or other owner of an Entity.

"**Preliminary Acceptance**" shall have the meaning set forth in Section 5.1.

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

"**Proposed Buyer**" shall have the meaning set forth in Section 9.3.

"**Purchase Notice**" shall have the meaning set forth in Section 9.3.

"**Purchase Price**" shall have the meaning set forth in Section 12.2.

"**Qualified Assignment**" shall have the meaning set forth in Section 9.2.3.

"**Site Review Request**" shall have the meaning set forth in Section 5.1.

"**Take-Along Assets**" shall have the meaning set forth in Section 9.1.2.

"**Take-Along Notice**" shall have the meaning set forth in Section 9.1.2.

"**Take-Along Rights**" shall have the meaning set forth in Section 9.1.2.

"**Zero Degrees Italian Ice Branded Products**" means any product now existing or developed in the future that bears any of the Zero Degrees Italian Ice Marks, including products that are prepared, sold and/or manufactured in accordance with Franchisor's recipes, formulation, ingredients, compositions, methods, methodologies, processes, standards, specifications, and/or information, as well as novelty items such as pre-packaged food and beverage products, souvenirs, cups, coolers, hats, t- shirts and other clothing, and the like.

"**Zero Degrees Italian Ice Franchise Agreements"** means franchise agreements in existence from time to time between Franchisor and other Zero Degrees Italian Ice Franchisees for Zero Degrees Restaurants.

"**Zero Degrees Italian Ice Franchisees**" means the parties who enter into Zero Degrees Italian Ice Franchise Agreements with Franchisor to operate one or more Zero Degrees Restaurants.

"**Zero Degrees Italian Ice Marks**" means one or more trademarks, tradenames, service marks, logos and commercial symbols, now existing or created in the future, used or that may be used in connection with a Zero Degrees Restaurant and/or as part of the Zero Degrees Italian Ice System.

"**Zero Degrees Italian Ice Proprietary Products**" means those food products, beverages, packaging and other products which are created, conceived, produced, developed, or manufactured from time to time in accordance with or using any Trade Secrets, Confidential Information, or other confidential or proprietary information, process, method, or methodology of Franchisor of any of its Affiliates, or that Franchisor otherwise designates as proprietary or confidential. "**Zero Degrees Italian Ice Proprietary Products**" includes Non-Proprietary Products that may from time to time be created, conceived, produced, developed, manufactured, or derived through the use of any Trade Secrets, Confidential Information, or other confidential or proprietary information, process, method, methodology, recipe, specification, formula or intellectual property right of Franchisor or any of its Affiliates. "**Zero Degrees Italian Ice Proprietary Products**" includes any and all Confidential Information contained or embodied therein.

"**Zero Degrees Italian Ice System**" means Franchisor's operations, operating methods, methodologies, processes and practices related to one or more Zero Degrees Restaurants, Authorized Zero Degrees Italian Ice Products, and/or any Zero Degrees Italian Ice Marks, including (i) the business practices between Franchisor and one or more of Zero Degrees Italian Ice Franchisees, (ii) interior and exterior Zero Degrees Restaurant designs and decor, (iii) items or elements of trade dress, (iv) specifications for products, equipment, fixtures and uniforms, (v) defined product offerings and menu items, (vi) recipes, formulations, and ingredients, (vii) preparation methods, methodologies, processes, and practices, (viii) specified pricing and promotions, (ix) operating and administrative procedures, (x) management and technical training programs, (xi) marketing and public relations programs, (xii) Franchisor's website, Intranet and related content; and (xiii) other items that may from time to time be created, conceived, produced, and/or developed in connection with one or more Zero Degrees Restaurants, Authorized Zero Degrees Italian Ice Products and/or Zero Degrees Italian Ice Marks; all and in each case as Franchisor may add to, delete from, modify, supplement, or otherwise change from time to time. "**Zero Degrees Italian Ice System**" includes Zero Degrees Italian Ice Marks, Authorized Zero Degrees Italian Ice Products and Improvements. "**Zero Degrees Italian Ice System**" also includes any and all Confidential Information contained or embodied therein.

"**Zero Degrees Restaurant**" means food and/or beverage establishments that offer freshly brewed flavored ice teas, smoothies, slushies, shaved ice and other specialty beverages and hand battered popcorn chicken, french fries, fish balls and other specialty food items, under one or more Zero Degrees Italian Ice Marks. Use of the term "**Zero Degrees Restaurant**" with respect to Area Developer means the Zero Degrees Restaurant located at the Franchised Locations to be operated by Area Developer under this Agreement.

"**Zero Degrees Restaurant Assets**" shall have the meaning set forth in Section 12.2.

"**Then-Current**" means, as the context of the Agreement indicates: (i) the area developer agreement, Zero Degrees Italian Ice Franchise Agreement and/or other documentation then-currently provided to or required by Franchisor for similarly situated prospective area developers and franchisees, or if not then being so provided or required, then the area developer agreement, Zero Degrees Italian Ice Franchise Agreement and/or other documentation selected by Franchisor in its discretion which previously has been delivered to and executed by an area developer or a franchisee of Franchisor, or, as the context of this Agreement indicates, the fees then-currently charged by Franchisor for services provided by Franchisor.

"**Third Party Claim**" shall have the meaning set forth in Section 14.4.1.

"**Third Party Offer**" shall have the meaning set forth in Section 9.3.

"**Trade Secrets**" means proprietary and Confidential Information of Franchisor or any of its Affiliates, including, recipes, formulations, ingredients, compositions, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies, methods, methodologies, processes, and techniques in connection with the Zero Degrees Italian Ice System or any part thereof, including in connection with the design, creation, implementation, operation and/or maintenance of a Zero Degrees Restaurant or any aspect thereof and/or in connection with producing one or more "**Trade Secrets**" includes the use or implementation of one or more Non-Proprietary Products in a proprietary and confidential manner as part of the Zero Degrees Italian Ice System, and the specifications, procedures, know-how, methods, methodologies, processes, techniques and other information related thereto. "**Trade Secrets**" excludes information that is or becomes a part of the public domain through publication or communication by Franchisor or its Affiliates.

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

2. EXCLUSIVE LICENSE

Grant and Minimum Development Obligation. Franchisor hereby grants to Area Developer, and Area Developer hereby accepts, a limited right and license to use certain Zero Degrees Italian Ice Marks and certain aspects of the Zero Degrees Italian Ice System, in each case as determined by Franchisor from time to time, solely for Area Developer's purpose to develop and operate the Minimum Development Obligation of Zero Degrees Restaurants set forth in **Exhibit B** only at Venues in the geographic area designated on **Exhibit B** (the "**Development Area**") during the individual Development Periods listed on **Exhibit B** under the Development Schedule set forth on **Exhibit B** in accordance with the terms and conditions in this Agreement. Except as provided in Section 2.6, Area Developer may not develop, own or operate more Zero Degrees Restaurants in the Development Area than the Minimum Development Obligation during the Term. Area Developer shall not, and is not entitled to, subcontract, sublicense, sublease, award, transfer, share, divide or partition this Agreement and nothing in this Agreement will be construed as granting Area Developer the right to do so.

2.1. **Exclusive License**. Except as otherwise provided in Section 2.3, the rights granted to Area Developer in Section 2.1 are exclusive during the Term only in the Development Area so long as Area Developer is in Good Standing, and neither Franchisor nor any of its Affiliates shall themselves develop, own and operate, or grant third parties the right to develop, own and operate, Zero Degrees Restaurants in the Development Area during the Term.

2.2. **Reservation of Rights**. Except for the rights specifically granted to Area Developer in Sections 2.1 and 2.2, Franchisor and its Affiliates expressly reserve all other rights, including the exclusive, unrestricted right, in their discretion, directly and indirectly, through its employees, Affiliates, representatives, licensees, assigns, agents and others, to:

2.2.1. develop, own and/or 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;

2.2.2. develop, own and/or operate, and to grant franchises to third parties to develop, own and/or operate, as applicable, any other businesses, including beverage and snack or food business, other than a Competitive Business, under marks and systems different from the Zero Degrees Italian Ice Marks and the Zero Degrees Italian Ice System within and outside the Development Area;

2.2.3. sell or distribute, at retail or wholesale, directly or indirectly, or license or sublicense others to sell or distribute, Zero Degrees Italian Ice Branded Products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods;

2.2.4. market on the Internet and use the Zero Degrees Italian Ice 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

2.2.5. 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 Area Developer.

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

2.4. Closures and Assignments of Zero Degrees Restaurants. If, during the Term, Area Developer ceases to operate any Zero Degrees Restaurant developed and Opened under this Agreement for any reason, Area Developer must develop a replacement Zero Degrees Restaurant to fulfill Area Developer's obligation to have Open and in operation the required number of Zero Degrees Restaurants at the expiration of each Development Period. The replacement Zero Degrees Restaurants must be Opened within twelve (12) months after the closing of the Zero Degrees Restaurant that will be replaced. Zero Degrees Restaurants that are Open and operating that are assigned to Affiliates of Area Developer with Franchisor's consent, shall count in determining whether Area Developer has satisfied the Minimum Development Obligation for so long as the applicable Affiliate continues to comply with the terms of this Agreement.

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

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

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

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

3. TERM AND RENEWAL RIGHTS

3.1. **Term**. The Term shall commence on the Effective Date and shall expire on the Expiration Date (the "**Term**").

3.2. **Renewal Rights**. This Agreement may not be extended or renewed. If Area Developer desires to engage in further development of Zero Degrees Restaurants in the Development Area following the Expiration Date, Area Developer shall enter into a new Area Development Agreement with Franchisor in the form and on terms then offered to new Area Developers.

4. PAYMENTS BY AREA DEVELOPER

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

4.2. **Initial Franchise Fee.** Area Developer shall pay Franchisor an Initial Franchise Fee for each Zero Degrees Restaurant to be operated under this Agreement. Franchisor shall credit the Initial Development Fee against the Initial Franchise Fee payable for each Franchise Agreement, not to exceed a credit of $**22,500** for any one Franchise Agreement. The Initial Franchise Fee is fully earned by Franchisor when paid and is non-refundable, in whole or in part, under any circumstances. Area Developer shall pay the Initial Franchise Fee for the first location in full on the Effective Date.

Royalty Fee. Each Franchise Agreement executed by the Parties for each Zero Degrees Restaurant developed by Area Developer under this Agreement shall provide for the payment of a royalty fee by Area Developer to Franchisor equal to six percent (6%) of the Gross Sales of each Zero Degrees Restaurant.

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

Site Review. Area Developer shall, at all times during the Term, exert Area Developer's best efforts to diligently identify proposed sites for the Zero Degrees Restaurants. When Area Developer identifies a proposed site for a Zero Degrees Restaurant, Area Developer shall submit to Franchisor all demographic and other information regarding the proposed site and neighboring areas that Franchisor shall require, in the form prescribed by Franchisor, and shall request Franchisor to consider and approve the site ("**Site Review Request**"). Franchisor shall approve, reject or request additional information regarding a proposed site within forty-five (45) days following Franchisor's receipt of a Site Review Request, or within fifteen (15) days after receipt of the additional requested information, whichever is later. If Franchisor accepts a proposed site (a "**Franchised Location**"), Franchisor shall notify Area Developer of its preliminarily acceptance of the Franchised Location (the "**Preliminary Acceptance**"), which shall be subject to the successful negotiation by Area Developer of a final Lease or purchase agreement for the Franchised Location that is acceptable to Franchisor and any other conditions that Franchisor may impose. Franchisor may voluntarily (without obligation) assist Area Developer in locating an acceptable Franchised Location for a Zero Degrees Restaurant; however, neither Franchisor's assistance, if any, nor Franchisor's approval of any proposed Franchised Location, whether initially proposed by Area Developer or by Franchisor, shall be construed to insure or guarantee the profitable or successful operation of a Zero Degrees Restaurant at that Franchised Location by Area Developer and Franchisor hereby expressly disclaims any responsibility or liability therefor. Area Developer acknowledges and agrees that it is Area Developer's sole responsibility to identify and obtain each Franchised Location for the Zero Degrees Restaurants to be developed under this Agreement.

Final Acceptance and Negotiation and Execution of Lease. Promptly following Area Developer's receipt of Preliminary Acceptance by Franchisor, Area Developer shall negotiate a Lease or purchase agreement for the proposed Franchised Location and shall submit to Franchisor a copy of the proposed Lease or purchase agreement, as applicable, for Franchisor's review and approval. Following Franchisor's review and approval of a proposed final Lease or purchase agreement, as applicable, and Area Developer's satisfaction of all conditions set forth in the Preliminary Acceptance and in Section 5.4, Franchisor shall notify Area Developer of Franchisor's final acceptance of the proposed Franchised Location (the "**Final Acceptance**"). Area Developer acknowledges and agrees that Franchisor's review and acceptance of a Lease or purchase agreement shall not be construed as an endorsement of the Lease or purchase agreement, or, confirmation that the Lease or purchase agreement complies with Applicable Law, or confirmation that the terms of the Lease or purchase agreement are favorable to Area Developer. Area Developer acknowledges and agrees that it is Area Developer's sole responsibility to review and approve each Lease or purchase agreement for each Zero Degrees Restaurant to be developed under this Agreement.

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

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

6. OBLIGATIONS OF AREA DEVELOPER

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

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

Zero Degrees Italian Ice System. Area Developer shall comply with each Franchise Agreement and shall operate the Zero Degrees Restaurants in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise. Since every detail of the Zero Degrees Italian Ice System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Zero Degrees Restaurants under the Zero Degrees Italian Ice System and to protect the Zero Degrees Italian Ice Marks and reputation and goodwill, Franchisor shall have the right to disapprove, as it believes reasonably necessary, any modification of, or addition to, the Zero Degrees Italian Ice System suggested by Area Developer that is reasonably likely to have an adverse effect on the Zero Degrees Italian Ice System, the Zero Degrees Italian Ice Marks or Franchisor's reputation or goodwill.

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

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

Computer Hardware and Software. Area Developer shall purchase, lease or license all computer hardware and software designated by Franchisor for the Zero Degrees Restaurants. All computer hardware and software specified by Franchisor shall be purchased, leased or licensed by Area Developer at Area Developer's expense. During the Term, Area Developer shall maintain and update all computer hardware and software as required by Franchisor.

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

Compliance with Governmental Regulations & This Agreement. Area Developer shall, as an independent business owner, timely obtain and maintain all permits, certificates, and licenses necessary for the lawful operation of the Zero Degrees Restaurants. In addition, Area Developer will at all time remain in compliance with this Agreement and all Franchise Agreements issued for Zero Degrees Restaurants developed hereunder.

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

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

Legal Entities. The legal entity disclosed in **Exhibit A** must satisfy the following conditions:

(1) It must be closely held with a the single purpose of developing and operating Zero Degrees Restaurants.

(2) The owners listed in **Exhibit A** will collectively own and control not less than 51% of the voting rights in the legal entity or otherwise satisfy Franchisor that the owners have operational control of the legal entity.

(3) Not more than 20% in the aggregreate of the voing rights of the legal entity will be owned beneficially or of record by by institutional firms oa publically held corporations.

(4) There will be no public offerings of debt or equity ownership by or in the legal entity without Franchisor's prior written consent

(5) It must maintain at all times positive working capital and a networth of at least $100,000 multplied by the number of Zero Degrees Restaurants required developed hereunder and shall not make any transfer of value to any of its Owners which woulc create a negative working capital or would cause the networth of the legal entity to be less than 100,000 multiplied by the number of Zero Degrees Restaurants to be developed hereunder.

(6) Organization documents of the legal entity will contain the legal restrictions set forth in this Section 6. Certificates or other document of ownership of the legal entity will contain a legend referencing the restrictions contacined herein, which will read substantially as follows:

"Transfer of ownership in this company is subject to the eterms and conditions of the Zero Degrees Area Development Agreemetn and Franchise Agreement(s). Reference is made to such agreements and to the restrictive provisions contained in this company's documents."

Financial Statements. Area Developer will provide to Franchisor, no later than 120 days after the last day of each fiscal year, a certified copy of Area Developer's financial statements. Any amendment must be delivered promptly.

7. ZERO DEGREES ITALIAN ICE MARKS

Ownership and Goodwill of Zero Degrees Italian Ice Marks. Area Developer acknowledges and agrees that the Zero Degrees Italian Ice Marks are used under license from an Affiliate of Franchisor and may be modified by such Affiliate or Franchisor, from time to time. Franchisor and Franchisor's Affiliate continue to develop, use and control the use of the Zero Degrees Italian Ice Marks to identify for the public the source of services and products marketed under the Zero Degrees Italian Ice Marks, and to represent the Zero Degrees Italian Ice System's high standards of quality, appearance and service. Area Developer acknowledges and agrees that its right to use the Zero Degrees Italian Ice Marks is derived solely from this Agreement and the Franchise Agreement, and is limited to use in operating the Zero Degrees Restaurant by Area Developer pursuant to and in compliance with this Agreement and as a Zero Degrees Italian Ice Franchisee pursuant to the Franchise Agreements between Area Developer and Franchisor. Franchisor and its Affiliates shall, at all times, have the right to review and inspect Area Developer's use of the Zero Degrees Italian Ice Marks and other rights to assess whether Area Developer's use is in compliance with this Agreement. Any unauthorized use of any Zero Degrees Italian Ice Marks by Area Developer shall constitute a material breach of this Agreement and an infringement of Franchisor's and Franchisor's

Affiliate's rights in and to the Zero Degrees Italian Ice Marks. Area Developer acknowledges and agrees that as between Franchisor and Area Developer (i) Franchisor owns the Zero Degrees Italian Ice Marks and the Zero Degrees Italian Ice System and all goodwill associated with any of the foregoing,, (ii) Area Developer owns no goodwill or rights in the Zero Degrees Italian Ice Marks or the Zero Degrees Italian Ice System and except for the license granted by this Agreement, Area Developer has no other right or interest in any Zero Degrees Italian Ice Marks or the Zero Degrees Italian Ice System or any part thereof, and (iii) Area Developer's use of the Zero Degrees Italian Ice Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor. Area Developer hereby agrees, either during the Term or after this Agreement terminates or expires, not to contest, or assist any other person or Entity to contest, the validity of any of the rights, title or interests in the Zero Degrees Italian Ice Marks or the Zero Degrees Italian Ice System (or any part thereof) held by Franchisor or its Affiliates or the enforceability thereof.

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

Modifications. Franchisor reserves the right from time to time to (i) modify or discontinue licensing any of the Zero Degrees Italian Ice Marks, (ii) add new names, marks, designs, logos or commercial symbols to the Zero Degrees Italian Ice Marks and, in which case, Area Developer shall use them, and (iii) introduce new practices as part of the Zero Degrees Italian Ice System in operating the Zero Degrees Restaurants and, in which case Area Developer shall observe and implement such new practices.. Area Developer acknowledges and agrees that the term Zero Degrees Italian Ice Marks includes the specific names, marks, designs, logos or commercial symbols licensed by Franchisor at any given point in time, subject to Franchisor's right to impose changes. Area Developer shall comply, at Area Developer's sole expense, with Franchisor's directions regarding changes in the Zero Degrees Italian Ice Marks and Zero Degrees Italian Ice System or any part thereof within a reasonable time after written notice from Franchisor. Franchisor shall have no liability to Area Developer for any cost, expense, loss or damage that Area Developer incurs in complying with Franchisor's directions and conforming to Franchisor's required changes.

Defense of Zero Degrees Italian Ice Marks and Zero Degrees Italian Ice System. Franchisor shall have the sole right, either alone or with its Affiliate, to handle disputes with Area Developer and third parties concerning Franchisor's or Franchisor's Affiliates' ownership of, rights in, or Area Developer's or other's use of, the Zero Degrees Italian Ice Marks or the Zero Degrees Italian Ice System. Area Developer shall immediately notify Franchisor in writing if Area Developer receives notice, or is informed or becomes aware, of any: (i) improper use of any of the Zero Degrees Italian Ice Marks or elements of the Zero Degrees Italian Ice System, including misuse by any third parties, (ii) use by any third party of any mark, design, logo or commercial symbol which, in Area Developer's judgment, may be confusingly similar to any of the Zero Degrees Italian Ice Marks, (iii) use by any third party of any business or business practice which, in Area Developer's judgment, improperly simulates the Zero Degrees Italian Ice System in a manner likely to confuse or deceive the public, or (iv) claim, challenge, suit or demand asserted against Area Developer based upon Area Developer's use of the Zero Degrees Italian Ice Marks or the Zero Degrees Italian Ice System. Franchisor or Franchisor's Affiliate shall have sole right and discretion to take any and all action as it/they deem appropriate, including, without limitation, to take no action, and the sole right and discretion to control any dispute, proceeding or negotiation arising out of any infringement, challenge, claim or otherwise relating to any Zero Degrees Italian Ice Marks or the Zero Degrees Italian Ice System or any part thereof. Area Developer has no right to, and shall not settle or compromise any dispute, claim, proceeding or demand asserted against it. Area Developer hereby agrees to be bound by Franchisor's decisions in handling any and all disputes, claims, proceedings and demands regarding the Zero Degrees Italian Ice Marks and the Zero Degrees Italian Ice System. Area Developer shall cooperate fully with Franchisor and execute all documents and perform all actions as may, in Franchisor's judgment, be necessary, appropriate or advisable in the prosecution, enforcement, defense, negotiation and/or resolution of any and all disputes, claims, proceedings and demands and to protect and maintain Franchisor's rights in the Zero Degrees Italian Ice Marks and the Zero Degrees Italian Ice System. Except to the extent that a third party claim asserted against Area Developer is based upon Area Developer's misuse of any Zero Degrees Italian Ice Marks or the Zero Degrees Italian Ice System or any part thereof or Area Developer's act or omission in breach of this Agreement or in violation of Applicable Law, Franchisor agrees to defend Area Developer against a third party claim and indemnify Area Developer for any reasonable and actual losses suffered by Area Developer resulting from such third party claim for Area Developer's authorized, proper and lawful use of the franchised rights in strict compliance with the terms and conditions of this Agreement and Applicable Laws, provided Area Developer has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third party claim, Area Developer is not entitled to be reimbursed for any fees and costs, including legal and other professional fees and costs, incurred by Area Developer in connection with such claim. Area Developer has no right, independent of Franchisor, to make any demand against any such user or challenger or to prosecute any claim of any kind or nature whatsoever relating to the Zero Degrees Italian Ice Marks.

8. CONFIDENTIAL INFORMATION

8.1. Confidential Information.

8.1.1. "**Confidential Information**" means any and all information, knowledge, and/or data, whether or not in writing, in electronic format, or in other tangible or intangible medium, concerning Franchisor, any or its Affiliates and/or any of their respective businesses, operations, practices, styles, products and/or services, that has been furnished or is to be furnished to Area Developer by, or Area Developer has otherwise obtained or obtains from, Franchisor, an Affiliate of Franchisor, or another person or entity. By way of illustration, but not limitation, "**Confidential Information**" includes information, knowledge and data relating to the Zero Degrees Italian Ice System and elements or portions thereof, business operations, practices, styles, products, services, recipes, sources of materials and equipment, customer management, software, data, content, formulations, ingredients, compositions, patterns, compilations, programs, devices, processes, methods, methodologies, standards, business relationships, contact information for industry professionals, developmental or experimental products and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites and website content, advertisements, ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names, addresses and contact information, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, information regarding the skills and compensation of employees, contractors and other personnel of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales and license techniques, inventions, copyrightable material, trademarkable material, intellectual property rights, Trade Secrets, databases, relationships between Franchisor and other persons or entities, knowledge or know-how, including knowledge or know-how concerning the methods of operation of one or more Zero Degrees Restaurants, any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, any other information that is not generally known by the public or which derives independent economic value (actual or potential) from not being generally known to the public, and any other information which, given the circumstances surrounding its disclosure, would be considered confidential. "**Confidential Information**" also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Area Developer.

8.1.2. Confidential Information does not include any information that: (i)was in the lawful and unrestricted possession of Area Developer prior to its disclosure by Franchisor without any duty or obligation of confidentiality; (ii) is or becomes generally available to the public by lawful acts other than those of Area Developer after receiving it; (iii) has been received lawfully and in good faith by Area Developer from a third party who did not derive it from Franchisor or Area Developer without any duty or obligation of confidentiality; or (iv) is shown by Area Developer with documentary evidence to have been independently developed by Area Developer without any use or access to any Confidential Information.

8.1.3. Area Developer acknowledges and agrees that certain Confidential Information may be provided to Area Developer or Area Developer may be apprised of certain Confidential Information by virtue of Area Developer's relationship with Franchisor or in connection with Area Developer's operation of the Zero Degrees Restaurant.

8.1.4. For clarification, notwithstanding anything to the contrary, neither Franchisor or any of its Affiliates is obligated or required to disclose to Area Developer, any Owner or any third party any Trade Secrets or other Confidential Information with respect to any Zero Degrees Italian Ice Proprietary Products or other product or service of a confidential nature.

Value. Area Developer acknowledges and agrees the Confidential Information is not generally known by the public or parties other than Franchisor, its Affiliates, its franchisees and Area Developer; derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor, its franchisees or Area Developer; and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to certain Confidential Information by the use of passwords and other restrictions so that electronic access to such Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor or to destroy all Confidential Information upon the expiration or termination of their Zero Degrees Italian Ice Franchise Agreements.

Maintain Confidentiality. Area Developer shall not, during the Term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its trade secrets and/or any Confidential Information. Area Developer acknowledges and agrees that any use of any Confidential Information by Area Developer shall be in strict compliance with the terms and conditions of this Agreement. Area Developer may divulge such Confidential Information only to such of its employees who must have access to it in order to perform their employment responsibilities.

Irreparable Injury from Disclosure of Confidential Information. Area Developer acknowledges that failure to comply with any of the requirements of this Section 8 will result in irreparable injury to Franchisor and/or its Affiliate for which no adequate remedy at law may be available, and Area Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys′ fees and costs incurred by Franchisor and/or its Affiliates in obtaining, without the posting of any bond, an ex parte or other order for injunctive relief, specific performance and/or other equitable relief with respect to the requirements of this Section 8. Franchisor and its Affiliates reserve all rights to all legal relief and remedies against Area Developer, including damages, for any breach by Area Developer of any term or condition of this Section.

Confidentiality Covenants from Individuals Associated with Area Developer. Area Developer shall require each employee, agent, representative, personnel and advisor of Area Developer who may have access to any Confidential Information to execute covenants that they will maintain the confidentiality and abide by the use restrictions of any Confidential Information in the same manner as applicable to Area Developer under this Section 8. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

9. TRANSFER OF INTEREST

Transfer by Franchisor.

9.1.1. Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity without the consent or approval of Area Developer. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor′s obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisor and or its Affiliates may sell their assets, securities and business, the Zero Degrees Italian Ice Marks and/or the Zero Degrees Italian Ice System, may sell securities in a public offering and/or in private placements, may merge, reorganize, acquire other Entities, and/or be acquired by another Entity, and may undertake a refinancing, recapitalization, leveraged buy-out, and/or other economic or financial restructuring (collectively, a "**Capital Event**"), all without the consent or approval of Area Developer.

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

Assignment by Area Developer. Area Developer acknowledges and agrees that the rights granted to Area Developer under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Area Developer and, if Area Developer is an Entity, that of the Owners. Accordingly, Area Developer acknowledges and agrees that Area Developer shall not, and has no right to, by operation of law or otherwise, whether in Area Developer's own name or in the name and/or on behalf of any person or Entity, directly or indirectly, offer, sell, assign, convey, transfer, pledge, donate, encumber or otherwise negotiate or deal with any third party, directly or indirectly, with respect to: (i) this Agreement, (ii) any right or interest in or to this Agreement, or (iii) the right to use the Zero Degrees Italian Ice System or the Zero Degrees Italian Ice Marks or any part thereof granted pursuant to this Agreement (each an "**Assignment**") without Franchisor's prior written consent.

9.1.3. Unless the Parties otherwise agree in writing, Area Developer shall not make or attempt to make any Assignment except in conjunction with a concurrent Assignment to the same Franchisor-approved assignee of all Zero Degrees Restaurants then operated by Area Developer in the Development Area. As a condition to Franchisor's consent to such an Assignment, among other things as set forth in this Agreement, the assignee must execute Franchisor's Then-Current form of Zero Degrees Italian Ice Franchise Agreement for each Zero Degrees Restaurant sold to the assignee. Without Franchisor's prior written consent, which may be withheld or denied by Franchisor in its discretion: (i) Area Developer shall not offer for sale or transfer at public or private auction any of the rights of Area Developer under this Agreement, and (ii) Area Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Area Developer shall provide not less than ten (10) days prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest of Area Developer's rights under this Agreement.

9.1.4. For purposes of this Agreement, each of the following events is, without limitation, an Assignment subject to the conditions to transfer identified in this Agreement: (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Area Developer pursuant to a transaction subject to registration under applicable securities laws or by private placement, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the Equity or voting power of Area Developer, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes the voting rights or control of Area Developer, (iv) the issuance of any securities by Area Developer which itself or in combination with any other transactions results in the Owners, as constituted on the Execution Date, owning less than 40% of the outstanding Equity or voting power of Area Developer, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Area Developer, however effected. Area Developer shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Area Developer Owner of any direct or indirect Equity or voting rights in Area Developer, notwithstanding that the same may not constitute an "Assignment" as defined under this Article 9.

9.1.5. Franchisor's right of first refusal set forth in Section 9.3 shall not apply to a transfer by Area Developer of all of Area Developer's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the Equity or voting interests of the new business Entity are owned by the same Owners (a "**Qualified Assignment**"), but the other terms and conditions of an Assignment set forth in this Article 9 shall apply to a Qualified Assignment. Any attempted or purported Assignment which fails to comply with the requirements of this Article 9 shall be null and void and shall constitute a Default under this Agreement.

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

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

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

9.1.8. If Franchisor or its nominee elects to purchase or acquire the rights, assets, Equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that Franchisor or its nominee makes such election.

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

Conditions of Assignment to Third Party. As a condition to obtaining Franchisor's consent to an Assignment, including any Qualified Assignment or an Assignment to a Proposed Buyer, the following conditions must be satisfied:

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

9.1.11. Area Developer must be in Good Standing on the date consent is requested and until the date of closing or effectiveness of the Assignment.

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

9.1.13. The Proposed Buyer must sign Franchisor's Then-Current form of Area Development Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects. In exchange for signing the Then-Current Area Development Agreement, the Proposed Buyer shall receive the rights of Area Developer provided for in this Agreement, as modified by the terms of the Then-Current form of Area Development Agreement. If Franchisor is not offering new area development franchises, is in the process of revising, amending or renewing Franchisor's form of Area Development Agreement or Disclosure Document or is not lawfully able to offer Franchisor's Then-Current form of Area Development Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the term of this Agreement on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Area Development Agreement.

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

9.1.15. Area Developer and the Proposed Buyer or other assignee shall execute a General Release in a form acceptable to Franchisor.

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

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

9.1.18. Area Developer's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this

Agreement or any other agreement. All contracts by and between Area Developer and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Area Developer only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied.

9.1.19. Except when the assignee is an existing Area Developer or franchisee of Franchisor, the Proposed Buyer, or a senior operations employee who will have general management and supervisory responsibilities for the Zero Degrees Restaurants who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's initial training program prior to the effective date of the Assignment.

9.1.20. The Proposed Buyer must conform the Zero Degrees Restaurants with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Zero Degrees Restaurants.

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

10. TRANSFER BY AREA DEVELOPER IN BANKRUPTCY

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

11. DEFAULT AND TERMINATION

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

Termination With Notice and Without Opportunity to Cure. Area Developer shall be in Default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Area Developer any opportunity to cure the Default, effective immediately upon receipt of notice by Area Developer (i) if Area Developer or an Owner is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the Zero Degrees Italian Ice System, the Zero Degrees Italian Ice Marks, the goodwill associated therewith, or Franchisor′s interest therein, (ii) if Area Developer fails to comply with the Development Schedule, (iii) if any of the Franchise Agreements or any other agreement between Area Developer and Franchisor or its Affiliates are terminated due to a breach or Default by Area Developer, (iv) if any purported Assignment or transfer of any direct or indirect interest in this Agreement, in the Zero Degrees Restaurants, or in all or substantially all of Area Developer′s assets is made to any third party by Area Developer or an Owner without Franchisor′s prior written consent, (v) if any transfer of the equity ownership interests of Area Developer or an Owner is made to any third party without Franchisor′s prior written consent, (vi) if Area Developer or an Owner discloses or divulges the contents of Franchisor's Manuals, Trade Secrets or other Confidential Information provided to Area Developer by Franchisor, (vii) if an approved Assignment, as required by Section 9.5 of this Agreement, is not effected within the time provided following death or incapacity of an Owner, (viii) if Area Developer or an Owner fails to comply with the covenants in Article 13 of this Agreement or fails to obtain execution of and deliver the covenants required under Section 13.7 of this Agreement, (ix) if Area Developer or an Owner has made any material misrepresentations in connection with their application to Franchisor for the development rights granted by this Agreement, (x) if Area Developer or an Owner, after curing a Default pursuant to Section 11.3 of this Agreement, commits the same, similar, or different Default, whether or not cured after notice, (xi) if any Owner fails or refuses to deliver to Franchisor, within ten (10) days after Franchisor's written request, a Guarantee in substantially the form attached to this Agreement as **Exhibit C** and current financial statements as may from time to time be requested by Franchisor, (xii) if Area

Developer, an Owner or an Affiliate fails to comply with any or all of the terms of this Agreement, or any other agreement between Franchisor, or its Affiliates, and Area Developer or an Owner beyond the applicable cure period, or (xiii) upon a breach of Area Developer's obligations under this Agreement or any other agreement between Area Developer and Franchisor, which by its nature is not capable of being cured by Area Developer.

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

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

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

12. OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

No Right to Open Additional Franchised Businesses. Upon termination or expiration of this Agreement: (i) Area Developer shall have no further right to develop any Zero Degrees Restaurants, (ii) Area Developer shall have no further rights or obligations under this Agreement or the Franchise Agreements that were terminated, (iii) Area Developer shall have the right to continue to own and operate all Zero Degrees Restaurants Opened by Area Developer prior to the termination date under Franchise Agreements with Franchisor that remain in full force and effect on the termination date, and (iv) Franchisor may thereafter develop, own and operate, and grant franchises to third parties to develop, own and operate Zero Degrees Restaurants at any location within or outside of the Development Area, without restriction.

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

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

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

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

13. COVENANTS

No Prior Experience, Information or Knowledge. Area Developer specifically acknowledges and agrees that prior to becoming an area developer of Franchisor, Area Developer had no experience, information or knowledge whatsoever about a specialty tea, coffee or smoothie shop or a Zero Degrees Restaurant and that Area Developer's knowledge of the Confidential Information was obtained solely from Franchisor, following Area Developer's training by Franchisor and Area Developer's subsequent operation of the Zero Degrees Restaurant under the Franchise Agreement. Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Zero Degrees Italian Ice System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.

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

Non-Competition After Execution or Termination of Agreement. Except as Franchisor otherwise approves in writing, commencing upon the date of: (i) an Assignment permitted under Article 9 of this Agreement, (ii) the Expiration Date of this Agreement, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 13.3, and continuing for an uninterrupted period of two (2) years thereafter, Area Developer and each Owner shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located within twenty (20) miles of any Zero Degrees Restaurant; provided, however, the restrictions stated in this Section 13.3 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Area Developer in the Development Area.

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

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

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

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

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

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

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

14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

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

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

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

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

14.1.1. The Indemnitees shall give the Area Developer notice of any Indemnifiable Claim of which such Indemnitee is aware for which indemnification is sought under this Section

14.4 The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a "**Third Party Claim**") or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a "**Direct Claim**"), and shall also describe (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known.

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

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

14.1.4. If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed, at the Indemnitors' expense. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they becomes available); provided, however, that the Indemnitees are not required to share attorney-client privileged communications between an Indemnitee and its attorney.

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

15. DISPUTE RESOLUTION

Mediation. The Parties shall endeavor to resolve any dispute arising out of or relating to this Agreement by mediation under procedures established by a reputable mediation program in Orange County, California, mutually acceptable to the Parties or, if the Parties cannot agree upon a mediation program within ten (10) days after a demand for mediation by either Party, under the mediation procedures established by the American Arbitration Association or its successor. Each Party shall pay fifty percent (50%) of the mediation expenses payable to the mediation program and all of its legal expenses for any mediation. If any dispute remains unresolved ninety (90)days after a demand for mediation by either Party, Franchisor and Area Developer shall each be free to pursue their respective legal remedies under Section 15.2.

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

Waivers. The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of any facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Area Developer, for themselves, and for and on behalf of the Franchisor's Affiliates and the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Area Developer shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in **Section 15.6**.

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

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

Exclusive Remedy. In on the event a Party makes any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement, the Party making such claim hereby waives any such claim for damages and neither Party may claim any such damages by way of setoff, counterclaim or defense in connection therewith. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

16. ANTI-TERRORISM LAWS.

Area Developer shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "Anti-Terrorism Laws"). In connection with its compliance, Area Developer certifies, represents and warrants that none of Area Developer's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Area Developer is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Area Developer or Area Developer's employees or any "blocking" of Area Developer's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Area Developer has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 11.2.

17. NOTICES

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by courier delivery for next business day delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) one (1) business day after delivery by the Party giving the notice, statement or demand if by courier for next business day delivery with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by certified mail, return receipt requested, with postage prepaid. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

Notices to Franchisor:

ZERO DEGREES ITALIAN ICE, INC.
3921 E. La Palma Avenue #E
Anaheim, California 92807
Attention: Chief Executive Officer

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

Jimmy Nguyen, Esq. Jimmy Nguyen, Attorney at Law, APC 17011 Beach Boulevard, Suite 900 Huntington Beach, California 92647Email: jimmy@jmnlegal.com
Facsimile No.: (949) 534-4878

Notices to Area Developer:

____
____
____
____
Attention: ____________________

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

18. ACKNOWLEDGMENTS.

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

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

Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Area Developer and its permitted successors and permitted assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.

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

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

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

Gender and Construction. The terms of all Exhibits referenced herein attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section in this Agreement may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense and shall be interpreted to mean "including without limitation" or "including but not limited to". Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Area Developer that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. On any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. Franchisor and Area Developer intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable. To the extent there is any conflict between this Agreement and the Franchise Agreement, the Franchise Agreement shall control and govern.

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

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

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

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

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

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

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

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

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

Success. The success of your franchised restaurants will be largely dependent upon the abilities and efforts of you and the principals, and we have made no warrarnty or guarantee to you that the franchise restaurants will be profitable.

Execution. A complete copy of the Agreement or any other related document as signed by you was reeived by you at east 14 days prior to its execution by you.

Payment. You have not been asked to sign and has not signed any Area Development Agreement or related document, and have not been asked to pay and has not paid any money, earlier than 14 days after receipt of the Franchise Disclosure Document.

No Financing Source. You will make an independent business decision with respect to the source of financing or your Zero Degrees Restaurants and have not been required to deal with any particular financice source by any Zero Degrees Italian Ice representative.

Independent Business Decision. You will make an independent business decision with respect to the construction company to be utilized by you for the construction of your Zero Degrees Restaurants and has not been required by Zero Degrees or any Zero Degrees representative, either explicitly or implicitly, to deal with any specific construction company. You understand that building design, plans, equipoment, and signage must comply with our operating standards and that any lists of contractors or equipment suppliers are provided as a convenience to Area Developer indicating the then-known approved contractors and equipment suppliers.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Area Development Agreement as of the Effective Date.

FRANCHISOR:	**AREA DEVELOPER**:
ZERO DEGREES ITALIAN ICE, INC., A California corporation	______________________________ A ______________________________
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: ____________________________	Title: ____________________________

ZERO DEGREES ITALIAN ICE, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT A
ENTITY INFORMATION DISCLOSURE

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

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

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

State of incorporation/organization: ____________

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

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

4) The name and address of each Owner is (attached additional pages if necessary):

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

5) The names, addresses and titles of the Owners who will be devoting their full time to the development of Zero Degrees Restaurants are:

NAME	ADDRESS	TITLE

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

____

7) The Principal Owner (designated owner to act on behalf of Area Developer) is ____.

IN WITNESS WHEREOF, the Parties have executed this Exhibit A on the Effective Date.

FRANCHISOR:
ZERO DEGREES ITALIAN ICE, INC.,
____
A California corporation

By: ______________________________

Name: ____________________________

Title: _____________________________

AREA DEVELOPER:

A ______________________________

By: ______________________________

Name: ____________________________

Title: _____________________________

ZERO DEGREES ITALIAN ICE, INC.
AREA DEVELOPMENT AGREEMENT

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

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

____
____
____

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

B. MINIMUM DEVELOPMENT OBLIGATION: _____________ Zero Degrees Restaurants

C. DEVELOPMENT FEE: $____ (representing $22,500 per Zero Degrees Restaurant required to be operating during the Term pursuant to the Development Obligation)

D. DEVELOPMENT SCHEDULE: ________ Zero Degrees Restaurants must be Opened in ___ months.

DEVELOPMENT PERIOD ENDING	CUMULATIVE NUMBER OF ZERO DEGREES RESTAURANTS TO BE IN OPERATION
TOTAL	

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

FRANCHISOR:	**AREA DEVELOPER:**
ZERO DEGREES ITALIAN ICE, INC., A California corporation	____________________________ A __________________________
By: ____________________________	By: ____________________________
Name: __________________________	Name: __________________________
Title: __________________________	Title: __________________________

ZERO DEGREES ITALIAN ICE, INC.
AREA DEVELOPMENT AGREEMENT

EXHIBIT C
GUARANTEE OF AREA DEVELOPMENT AGREEMENT

The undersigned ("Guarantors") have requested ZERO DEGREES ITALIAN ICE, INC., a California corporation ("Franchisor"), to enter into that certain Area Development Agreement dated ______________________ (the "Area Development Agreement") with ___________________________________, a _____________________ ("Area Developer"). In consideration for, and as an inducement to, Franchisor's execution of the Area Development Agreement, Guarantors hereby agree as follows:

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

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

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

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

(or any of them) by Franchisor or Area Developer; (iv) the invalidity or unenforceability of any provision of the Area Development Agreement or any of the Obligations; or (v) any failure, omission or delay of Franchisor in enforcing the Area Development Agreement, the Obligations or this Guarantee.

5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Area Developer or any other person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in Franchisor's power; (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby; (iii) any defense that may arise by reason of Area Developer's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Area Developer, any other or others; (iv) any defense arising out of any alteration of the Area Development Agreement or the Obligations; (v) notice of Area Developer's default in the payment or performance of any of the Obligations; (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or obligations or of any action or non-action on the part of Area Developer, Franchisor, any endorser, creditor of Area Developer or Guarantors under this or any other instrument, or any other person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed; (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Area Developer by operation of Applicable Law or otherwise; (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Area Developer, regardless of whether Franchisor has reason to believe that any such facts materially increase the risk beyond that which Guarantors intends to assumes or has reason to believe that such facts are unknown to Guarantors or has a reasonable opportunity to communicate such facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Area Developer's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed; and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

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

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and such rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained herein, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through 2856(a)(2), inclusive, which includes, without limitation, any rights and defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Sections 2899 and 3433.

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

9. Nether any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter hereof and no representation, understanding, promise or condition concerning the subject matter hereof shall bind Franchisor unless expressed herein.

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

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

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

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

EXHIBIT C

zero

OPTION TO OBTAIN LEASE ASSIGNMENT

ZERO DEGREES ITALIAN ICE, INC.
OPTION TO OBTAIN LEASE ASSIGNMENT

THIS OPTION TO OBTAIN LEASE ASSIGNMENT (this "**Agreement**") is made and entered into as of _____________ (the "**Effective Date**"), by and between **ZERO DEGREES ITALIAN ICE, INC.**, a California corporation ("**Franchisor**"), and ________________________, a _____________________________ ("Franchisee"), and ________________________, a _____________________________ ("Landlord"), with reference to the following facts:

A. On ______________, Landlord, as lessor, and Franchisee, as tenant, entered into a Lease (the "Lease") for the premises located at____ (the "Franchised Location") pursuant to which Franchisee leased the Franchised Location from Landlord for the purpose of operating a franchised **Zero Degrees Italian Ice** (the "**Zero Degrees Unit**") at the Franchised Location.

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

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

NOW, THEREFORE, IT IS AGREED:

1. INCORPORATION OF RECITALS.

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

2. OPTION.

Franchisee does hereby grant to Franchisor an option, exercisable at any time within thirty (30) days after Franchisor's receipt of actual notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement (the "**Option**"), to succeed to Franchisee's rights under the Lease and to obtain an assignment of the rights and obligations of Franchisee under the Lease to Franchisor (the "**Assignment**").

3. ONLY EFFECTIVE UPON EXERCISE OF OPTION.

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

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

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

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

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

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

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

3.7. **Purchase of Franchised Location.** If Franchisee or any entity with which Franchisee has any financial interest enters into any agreement to purchase the Franchised Location from Landlord.

Franchisee and Landlord shall each provide Franchisor with independent and separate written notice of the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement no later than fifteen (15) days after the occurrence of any of the events described in Section 3.1 through Section 3.7 of this Agreement.

4. CONSENT TO ASSIGNMENT.

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

5. EXERCISE OF OPTION BY FRANCHISOR.

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

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

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

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

6. TERM OF AGREEMENT.

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

7. TERMINATION OF LEASE AND FRANCHISE AGREEMENT.

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

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

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

8. RESTRICTIONS ON TRANSFER.

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

9. POWER OF ATTORNEY.

Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to exercise any and all of Franchisee's rights in, to and under the Lease and in and to the Franchised Location upon the occurrence of a default or an event of default under the Lease or Franchise Agreement. Landlord acknowledges this appointment and agrees to recognize and accept the rights and actions of Franchisor under this appointment.

10. GENERAL PROVISIONS.

10.1. **Governing Law**. This Agreement shall be governed and construed in accordance with the laws of the State in which the Franchised Location is located.

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

If to Franchisor: Zero Degrees Italian Ice, Inc.
3921 E. La Palma Avenue #R
Anaheim, California 92807
Attention: Chief Executive Officer

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

Jimmy Nguyen, Esq.
Jimmy Nguyen, Attorney at Law, APC17011 Beach Boulevard, Suite 900
Huntington Beach, California 92647
Email: jimmy@jmnlegal.com
Facsimile No.: (949) 534-4878

If to Franchisee: ____
____
____
Attention: ____________________________
Facsimile No.: __________________________

If to Landlord: ____
____
____
Attention: ____________________________
Facsimile No.: __________________________

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties.

10.3. **Waivers.** The delay, omission or forbearance by Franchisor to take action to remedy or seek damages for the breach or default of any term, covenant or condition of this Agreement or to exercise any right, power or duty arising from such breach or default shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach or default of the same or any other term, covenant or condition of this Agreement. The subsequent acceptance of performance by Franchisor shall not be deemed to be a waiver of any preceding breach or default by Franchisee other than its failure to pay the particular payment so accepted, regardless of Franchisor's knowledge of such preceding breach or default at the time of acceptance of such payment.

10.4. **Attorneys' Fees.** If any legal action is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled.

10.5. **Modification.** This Agreement may be modified only by a writing executed by the party sought to be bound.

10.6. **Entire Agreement.** This Agreement, and the other agreements referred to in this Agreement, and any other agreement that may be executed by the parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the parties with regard to the subject matter of this Agreement and any agreement, representation or understanding, express or implied, heretofore made by either party or exchanged between the parties are hereby waived and canceled.

10.7. **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable or otherwise shall not be exclusive, but shall be cumulative with all other rights or remedies set forth in this Agreement or allowed or allowable by law.

10.8. **Captions.** The various titles of the Sections in this Agreement are used solely for convenience and shall not be used in interpreting or construing any word, clause, Section or subparagraph of this Agreement.

10.9. **Gender.** All words used in this Agreement in the singular shall include the plural and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine.

10.10. **Successors.** This Agreement shall be binding upon all of the parties to this Agreement, their respective heirs, executors, administrators, personal representatives, successors and assigns.

10.11. **Severability**. The invalidity of any one or more of the provisions contained in this Agreement, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

10.12. **Additional Documents.** Each of the parties agrees to execute, acknowledge and deliver to the other party and to procure the execution, acknowledgment and delivery to the other party of any additional documents or instruments which either party may reasonably require to fully effectuate and carry out the provisions of this Agreement.

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

10.14. **General.** Franchisee acknowledges that Franchisee has carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that Franchisee has obtained the advice of counsel in connection with entering into this Agreement, that Franchisee understands the nature of this Agreement and that Franchisee intends to comply herewith and be bound hereby. Franchisee further acknowledges that it has read and understood this Agreement and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

10.15. **Atypical Terms.** Franchisee acknowledges and agrees that Franchisor has made no warranty or representation that all Option to Obtain Lease Assignment Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Option to Obtain Lease Assignment Agreements previously executed or executed after the date of this Agreement with other **Zero Degrees** franchisees in a non-uniform manner.

(Signature Page Follows)

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

FRANCHISOR:
ZERO DEGREES ITALIAN ICE, INC.,
a California corporation

By: ________________________________

Name: ______________________________

Title: ______________________________

FRANCHISEE:

A: ________________________________

By: ________________________________

Name: ______________________________

Title: ______________________________

LANDLORD
A: ________________________________

By: ______________________________

Name: ____________________________

Title: ____________________________

EXHIBIT D

NON-DISCLOSURE AGREEMENT FOR FRANCHISE BUYERS

ZERO DEGREES ITALIAN ICE, INC.
CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this ___ day of______________________, 20__, by and between **ZERO DEGREES ITALIAN ICE, INC.,** a California corporation ("**Franchisor**"), on the one hand, and _________________________, a ______________________________ ("**Candidate**"), on the other hand, with reference to the following:

A. Franchisor and Franchisor's affiliates have developed and continue to develop the "**Zero Degrees System**" for the establishment and operation of one or more Zero Degrees restaurant that offer coffee, teas, smoothies, slushies, and other specialty beverages and elote, nachos, french fries, and fried chicken ("**Zero Degrees Restaurants**"), using the trade name and service mark "**Zero Degrees**" and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Zero Degrees Marks**"). The "**Zero Degrees System**" also means the unique system developed by Franchisor and Franchisor's affiliates that includes the operations, operating methods, methodologies, processes and practices related to one or more Zero Degrees Restaurants, authorized Zero Degrees products and/or Zero Degrees Marks, including (i) the practices between Franchisor and one or more of its franchisees, (ii) interior and exterior Zero Degrees Restaurant designs and decor, (iii) items or elements of trade dress, (iv) specifications for products, equipment, fixtures and uniforms, (v) defined product offerings and menu items, (vi) recipes, formulations and ingredients, (vii) preparation methods, methodologies, processes and practices, (viii) specified pricing and promotions, (ix) operating and administrative procedures, (x) management and technical training programs, (xi) marketing and public relations programs, (xii) Franchisor's website, intranet and related content, (xiii) other items that may from time to time be created, conceived, produced, and/or developed in connection with one or more Zero Degrees Restaurants, authorized Zero Degrees products and/or Zero Degrees Marks; all and in each case as Franchisor may add to, delete from, modify, supplement, or otherwise change from time to time.

B. Franchisor has expended and continues to expend significant and substantial time, skill, effort, and money to develop a distinctive franchise model for qualified franchisees to obtain the right to operate a Zero Degrees Restaurant using the Zero Degrees Marks and certain aspects of the Zero Degrees System.

C. Candidate desires to review confidential and proprietary information of Franchisor regarding the Zero Degrees System to solely for purposes Candidate's evaluation a Candidate's desire to operate a Zero Degrees Restaurant franchise, and Franchisor may provide Candidate with certain confidential and proprietary information regarding the Zero Degrees System prior to granting or declining to grant Candidate a franchise, subject to Candidate's strict compliance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. **INCORPORATION OF RECITALS**.

The recitals set forth above are true and correct and are hereby incorporated by reference into the body of this Agreement.

2. **CONFIDENTIALITY**.

Candidate acknowledges and agrees:

2.1. **Confidential Information**. That "**Confidential Information**" means any and all information, knowledge, and/or data, whether or not in writing, in electronic format, or in other tangible or intangible medium, concerning Franchisor, any or its affiliates and/or any of their respective businesses, operations, practices, styles, products and/or services, that has been furnished or is to be furnished to Candidate by, or Candidate has otherwise obtained or obtains from, Franchisor, an affiliate of Franchisor, or another person or entity. By way of illustration, but not limitation, "**Confidential Information**" includes information, knowledge and data relating to the Zero Degrees System and elements or portions thereof, business operations, practices, styles, products, services, recipes, sources of materials and equipment, customer management, software, data, content, formulations, ingredients, compositions, patterns, compilations, programs, devices, processes, methods, methodologies, standards, business relationships, contact information for industry professionals, developmental or experimental products and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites and website content, advertisements, ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names, addresses and contact information, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, information regarding the skills and compensation of employees, contractors and other personnel of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales and license techniques, inventions, copyrightable material, trademarkable material, intellectual property rights, trade secrets, databases, relationships between Franchisor and other persons or entities, knowledge or know-how, including knowledge or know-how concerning the methods of operation of one or more Zero Degrees Restaurants, any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, any other information that is not generally known by the public or which derives independent economic value (actual or potential) from not being generally known to the public, and any other information which, given the circumstances surrounding its disclosure, would be considered confidential. "**Confidential Information**" also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Candidate.

Confidential Information does not include any information that: (i) was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor without any duty or obligation of confidentiality; (ii) is or becomes generally available to the public by lawful acts other than those of Candidate after receiving it; (iii) has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor, an affiliate of Franchisor, or Candidate without any duty or obligation of confidentiality; or (iv) is shown by Candidate with documentary evidence acceptable to Franchisor to have been independently developed by Candidate without any use or access to any Confidential Information.

2.2. **Value**. That the Confidential Information: (i) has been developed by Franchisor and its affiliates by the investment of significant time, skill, effort and money and is of substantial value to Franchisor and its affiliates; (ii) it is not generally known by the public or parties other than Franchisor and its affiliates and its franchisees; (iii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated or not associated with Franchisor; and (iv) is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information.

2.3. **Proprietary**. That the Confidential Information is proprietary, confidential and constitutes a trade secret of Franchisor and its affiliates.

2.4. **Maintain Confidentiality**. That Candidate will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal any Confidential Information or any part thereof to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person's signature on a Non-Disclosure Agreement providing the same terms and conditions as this Agreement and in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them..

2.5. **Reproduction and Use.** That Candidate will not directly or indirectly reproduce or copy or create any summary or extract of any Confidential Information or any part thereof, and will make no use of any Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate's Franchise Agreement.

3. **GENERAL**.

3.1. **Injunction**. Candidate recognizes the unique value of the Confidential Information and the elements of the Zero Degrees System, and hereby agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of any Confidential Information will cause irreparable damage to Franchisor and its affiliates. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of any Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3.2. **<u>Heirs and Successors.</u>** This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

3.3. **<u>Entire Agreement</u>**. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.4. **<u>No Warranties</u>**. Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor′s Franchise Disclosure Document concerning the profitability or likelihood of success of the Zero Degrees Restaurant, that Candidate has been informed by Franchisor that there can be no guaranty of success in the Zero Degrees Restaurant and that Candidate′s business ability and aptitude are primary in determining Candidate's success.

3.5. **<u>No Right to Use the Zero Degrees System or the Zero Degrees Marks</u>**. This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, any Confidential Information or the Zero Degrees System or any part thereof, which right is expressly reserved by Franchisor.

3.6. **<u>Waiver</u>**. Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.

3.7. **<u>Validity</u>.** Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions of this Agreement, and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.8. **<u>Headings and Gender</u>**. The headings herein are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.9. **<u>Attorneys′ Fees.</u>** If Franchisor or any of its affiliates becomes a party to any proceedings concerning this Agreement by reason of any act or omission of Candidate or any of its officers, directors, managers, employees, owners, personnel, advisors, agents or representatives, Candidate shall be liable to Franchisor and its affiliates for the reasonable attorneys′ fees and costs incurred by Franchisor and its affiliates in such proceedings. If either party commences a legal proceeding against the other party to enforce this

Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs.

3.10. **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.11. **Notices.** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by courier delivery for next business day delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) one (1) business day after delivery by the party giving the notice, statement or demand if by courier for next business day delivery with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by certified mail, return receipt requested, with postage prepaid. Notices and demands shall be given to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: ZERO DEGREES ITALIAN ICE, INC.
3921 E La Palma Avenue #E
Anaheim, California 92807
Attention: Ken Le

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

Jimmy Nguyen, Attorney at Law, APC
17011 Beach Boulevard, Suite 900
Huntington beach, California 92647
Attention: Jimmy Nguyen, Esq.

Notices to Candidate: ______________________________
____
____
____
Attention: ___________________

Either party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3.12. **Governing Law**. This Agreement takes effect upon its acceptance and execution by Franchisor in California and shall be interpreted and construed under the laws of California.

3.13. **Venue.** The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the city and county in which Franchisor has its principal place of business at the time the action is initiated, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

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

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Confidentiality Agreement as of the date first set forth above.

FRANCHISOR:

ZERO DEGREES ITALIAN ICE, INC.,
a California corporation

By: ______________________________

Name: ____________________________

Title: _____________________________

CANDIDATE:

By: ______________________________

Name: ____________________________

Title: _____________________________

CANDIDATE:

By: ______________________________

Name: ____________________________

Title: _____________________________

CANDIDATE:

By: ______________________________

Name: ____________________________

Title: _____________________________

EXHIBIT D

NON-DISCLOSURE AGREEMENT FOR FRANCHISE BUYERS

ZERO DEGREES ITALIAN ICE, INC.
CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made this day of______________________, 20__, by and between **ZERO DEGREES ITALIAN ICE, INC.,** a California corporation ("**Franchisor**"), on the one hand, and ________________________, a ______________________________ ("**Candidate**"), on the other hand, with reference to the following:

A. Franchisor and Franchisor's affiliates have developed and continue to develop the "**Zero Degrees System**" for the establishment and operation of one or more Zero Degrees restaurant that offer coffee, teas, smoothies, slushies, and other specialty beverages and elote, nachos, french fries, and fried chicken ("**Zero Degrees Restaurants**"), using the trade name and service mark "**Zero Degrees**" and other related trademarks, service marks, logos and commercial symbols (collectively, the "**Zero Degrees Marks**"). The "**Zero Degrees System**" also means the unique system developed by Franchisor and Franchisor's affiliates that includes the operations, operating methods, methodologies, processes and practices related to one or more Zero Degrees Restaurants, authorized Zero Degrees products and/or Zero Degrees Marks, including (i) the practices between Franchisor and one or more of its franchisees, (ii) interior and exterior Zero Degrees Restaurant designs and decor, (iii) items or elements of trade dress, (iv) specifications for products, equipment, fixtures and uniforms, (v) defined product offerings and menu items, (vi) recipes, formulations and ingredients, (vii) preparation methods, methodologies, processes and practices, (viii) specified pricing and promotions, (ix) operating and administrative procedures, (x) management and technical training programs, (xi) marketing and public relations programs, (xii) Franchisor's website, intranet and related content, (xiii) other items that may from time to time be created, conceived, produced, and/or developed in connection with one or more Zero Degrees Restaurants, authorized Zero Degrees products and/or Zero Degrees Marks; all and in each case as Franchisor may add to, delete from, modify, supplement, or otherwise change from time to time.

B. Franchisor has expended and continues to expend significant and substantial time, skill, effort, and money to develop a distinctive franchise model for qualified franchisees to obtain the right to operate a Zero Degrees Restaurant using the Zero Degrees Marks and certain aspects of the Zero Degrees System.

C. Candidate desires to review confidential and proprietary information of Franchisor regarding the Zero Degrees System to solely for purposes Candidate's evaluation a Candidate's desire to operate a Zero Degrees Restaurant franchise, and Franchisor may provide Candidate with certain confidential and proprietary information regarding the Zero Degrees System prior to granting or declining to grant Candidate a franchise, subject to Candidate's strict compliance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS OF THE PARTIES STATED IN THIS AGREEMENT AND FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. **INCORPORATION OF RECITALS**.

The recitals set forth above are true and correct and are hereby incorporated by reference into the body of this Agreement.

2. **CONFIDENTIALITY**.

Candidate acknowledges and agrees:

2.1. **Confidential Information**. That "**Confidential Information**" means any and all information, knowledge, and/or data, whether or not in writing, in electronic format, or in other tangible or intangible medium, concerning Franchisor, any or its affiliates and/or any of their respective businesses, operations, practices, styles, products and/or services, that has been furnished or is to be furnished to Candidate by, or Candidate has otherwise obtained or obtains from, Franchisor, an affiliate of Franchisor, or another person or entity. By way of illustration, but not limitation, "**Confidential Information**" includes information, knowledge and data relating to the Zero Degrees System and elements or portions thereof, business operations, practices, styles, products, services, recipes, sources of materials and equipment, customer management, software, data, content, formulations, ingredients, compositions, patterns, compilations, programs, devices, processes, methods, methodologies, standards, business relationships, contact information for industry professionals, developmental or experimental products and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites and website content, advertisements, ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names, addresses and contact information, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, information regarding the skills and compensation of employees, contractors and other personnel of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales and license techniques, inventions, copyrightable material, trademarkable material, intellectual property rights, trade secrets, databases, relationships between Franchisor and other persons or entities, knowledge or know-how, including knowledge or know-how concerning the methods of operation of one or more Zero Degrees Restaurants, any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, any other information that is not generally known by the public or which derives independent economic value (actual or potential) from not being generally known to the public, and any other information which, given the circumstances surrounding its disclosure, would be considered confidential. "**Confidential Information**" also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Candidate.

Confidential Information does not include any information that: (i) was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor without any duty or obligation of confidentiality; (ii) is or becomes generally available to the public by lawful acts other than those of Candidate after receiving it; (iii) has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor, an affiliate of Franchisor, or Candidate without any duty or obligation of confidentiality; or (iv) is shown by Candidate with documentary evidence acceptable to Franchisor to have been independently developed by Candidate without any use or access to any Confidential Information.

2.2. **Value**. That the Confidential Information: (i) has been developed by Franchisor and its affiliates by the investment of significant time, skill, effort and money and is of substantial value to Franchisor and its affiliates; (ii) it is not generally known by the public or parties other than Franchisor and its affiliates and its franchisees; (iii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated or not associated with Franchisor; and (iv) is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information.

2.3. **Proprietary**. That the Confidential Information is proprietary, confidential and constitutes a trade secret of Franchisor and its affiliates.

2.4. **Maintain Confidentiality**. That Candidate will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal any Confidential Information or any part thereof to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person's signature on a Non-Disclosure Agreement providing the same terms and conditions as this Agreement and in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them..

2.5. **Reproduction and Use.** That Candidate will not directly or indirectly reproduce or copy or create any summary or extract of any Confidential Information or any part thereof, and will make no use of any Confidential Information for any purpose whatsoever unless and until Candidate becomes a franchisee of Franchisor, and then only in accordance with the provisions of Candidate's Franchise Agreement.

3. **GENERAL**.

3.1. **Injunction**. Candidate recognizes the unique value of the Confidential Information and the elements of the Zero Degrees System, and hereby agrees that any noncompliance with the terms of this Agreement or any unauthorized or improper use of any Confidential Information will cause irreparable damage to Franchisor and its affiliates. Candidate therefore agrees that if Candidate should engage in any such unauthorized or improper use of any Confidential Information, Franchisor shall be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, in addition to any other remedies prescribed by law.

3.2. **Heirs and Successors.** This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

3.3. **Entire Agreement**. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Candidate that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.4. **No Warranties**. Candidate acknowledges and agrees that Franchisor has made no promises, representations or warranties to Candidate that are inconsistent with the terms of this Agreement or Franchisor′s Franchise Disclosure Document concerning the profitability or likelihood of success of the Zero Degrees Restaurant, that Candidate has been informed by Franchisor that there can be no guaranty of success in the Zero Degrees Restaurant and that Candidate′s business ability and aptitude are primary in determining Candidate's success.

3.5. **No Right to Use the Zero Degrees System or the Zero Degrees Marks**. This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of, any Confidential Information or the Zero Degrees System or any part thereof, which right is expressly reserved by Franchisor.

3.6. **Waiver**. Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance.

3.7. **Validity.** Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions of this Agreement, and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.8. **Headings and Gender**. The headings herein are for purposes of convenience only and shall not be used in construing the provisions hereof. As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.9. **Attorneys′ Fees.** If Franchisor or any of its affiliates becomes a party to any proceedings concerning this Agreement by reason of any act or omission of Candidate or any of its officers, directors, managers, employees, owners, personnel, advisors, agents or representatives, Candidate shall be liable to Franchisor and its affiliates for the reasonable attorneys′ fees and costs incurred by Franchisor and its affiliates in such proceedings. If either party commences a legal proceeding against the other party to enforce this

Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys′ fees and costs.

3.10. **Cumulative Remedies**. Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.11. **Notices.** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by courier delivery for next business day delivery or by certified mail. Service shall be deemed conclusively made (i) at the time of service, if personally served, (ii) one (1) business day after delivery by the party giving the notice, statement or demand if by courier for next business day delivery with a guaranteed tracking facility, and (iii) three (3) business days after placement in the United States mail by certified mail, return receipt requested, with postage prepaid. Notices and demands shall be given to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: ZERO DEGREES ITALIAN ICE, INC.
3921 E La Palma Avenue #E
Anaheim, California 92807
Attention: Ken Le

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

Jimmy Nguyen, Attorney at Law, APC
17011 Beach Boulevard, Suite 900
Huntington beach, California 92647
Attention: Jimmy Nguyen, Esq.

Notices to Candidate: ______________________________
____
____
____
Attention: ___________________

Either party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3.12. **Governing Law**. This Agreement takes effect upon its acceptance and execution by Franchisor in California and shall be interpreted and construed under the laws of California.

3.13. **Venue.** The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the city and county in which Franchisor has its principal place of business at the time the action is initiated, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

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

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Confidentiality Agreement as of the date first set forth above.

FRANCHISOR:

ZERO DEGREES ITALIAN ICE, INC.,
a California corporation

By: ___________________________________

Name: _________________________________

Title: __________________________________

CANDIDATE:

By: ________________________________

Name: ______________________________

Title: _______________________________

CANDIDATE:

By: ________________________________

Name: ______________________________

Title: _______________________________

CANDIDATE:

By: ________________________________

Name: ______________________________

Title: _______________________________

EXHIBIT F

zero

GENERAL RELEASE

GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this "**Release Agreement**") is made and entered into as of ______________ (the "**Effective Date**"), by and among **ZERO DEGREES ITALIAN ICE, INC.**, a California corporation (″**Franchisor**″), on the one hand, and __________________________, a ________________________________ (″**Franchisee**″), and ____ ("**Owner**"), on the other hand, who are collectively referred to in this Release Agreement as the "**Releasing Parties**", with reference to the following facts:

A. Franchisor and Franchisee are parties to that certain Franchise Agreement dated ______________________________ (the "**Franchise Agreement**") for the Zero Degrees Italian Ice franchise unit (the "**Zero Degrees**") located at _______________________________ (the "**Franchised Location**").

B. Franchisee desires to enter into a ____________________________________.

C. This Release Agreement has been requested at a juncture in the relationship of the parties where Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Franchisor is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a "clean slate" and that there are no outstanding grievances or Claims against it. Releasing Parties, therefore, gives this Release Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the parties. Releasing Parties acknowledges that this Release Agreement is intended to wipe the slate clean.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Definitions**. As used herein, the following capitalized terms have the meanings ascribed to them.

   1.1. "**Claims**" means all actual and alleged claims, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature.

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

   1.3. "**Excluded Matters**" means Franchisor's continuing contractual obligations which arise or continue under and pursuant to the Franchise Documents on and after the date of this

Release Agreement (this Release Agreement is not intended to terminate or amend the Franchise Agreement; this Release Agreement is intended to relieve Franchisor and its Constituents of responsibility for its or their failure, if any, to have timely performed or completed obligations which by the terms of the Franchise Agreement were to have been performed or completed prior to the Effective Date).

1.4. "**Franchisor Released Parties**" means Franchisor and each of its Constituents.

1.5. "**Losses**" means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys' fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration.

2. **General Release Agreement**. Releasing Parties, for themselves and their Constituents, hereby release and forever discharge the Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, except for the Excluded Matters and obligations under this Release Agreement.

3. **Waiver of Section 1542 of the California Civil Code**.

3.1. Releasing Parties, for themselves and their Constituents, acknowledge that they are familiar with Section 1542 of the California Civil Code, which reads as follows: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

3.2. With respect to those claims being released pursuant to Section 2, Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this Section 3, Releasing Parties shall be considered to be creditors of the Franchisor Released Parties, and each of them. Releasing Parties acknowledge that this general release extends to claims which Releasing Parties do not know or suspect to exist in favor of Releasing Parties at the time of executing this Release Agreement, which if known by Releasing Parties may have materially affected their decision to enter into this Release Agreement. It is understood by Releasing Parties that the facts under which this Release Agreement is given may hereafter turn out to be other than or different from the facts known or believed to be true. Releasing Parties therefore, expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

4. **Representations and Warranties**. Releasing Parties hereby represent and warrant to the

Franchisor that, in entering into this Release Agreement, they (i) are doing so freely and voluntarily upon the advice of counsel and business advisor of their own choice (or declined to do so, free from coercion, duress or fraud); (ii) have read and fully understand the terms and scope of this Release Agreement; (iii) realize that it is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and have not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims which are released by this Release Agreement now or in the future, that they are aware of no third party who contends or claims otherwise, and that they shall not purport to assign, transfer, or convey any such claim hereafter.

5. **Covenants Not to Sue**. Releasing Parties hereby irrevocably covenant to refrain from, directly or indirectly, asserting any claim or demand, or commencing, initiating or causing to be commenced, any proceeding of any kind against any of the Franchisor Released Parties based upon any matter released hereby.

6. **Indemnity**. Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims whether or not involving third-party Claims, arising directly or indirectly from or in connection with (i) the assertion by or on behalf of Releasing Parties or their Constituents of any Claim or other matter released pursuant to this Release Agreement, (ii) the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement; and (iii) any breach of representations, warranties or covenants hereunder by Releasing Parties or its Constituents.

7. **Miscellaneous**.

7.1. This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties hereto.

7.2. This Release Agreement, together with the agreements referenced herein, constitute the entire understanding between and among the parties hereto with respect to the subject matter hereof.

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

7.4. This Release Agreement shall be binding upon and inure to the benefit of the parties to this Release Agreement and their respective successors and permitted assigns.

7.5. The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the parties hereto, and shall have no applicability in construing this

Release Agreement or the terms of this Release Agreement.

7.6. Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

7.7. Each of the parties acknowledges that it had the right and opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Release Agreement, and each of the parties represents that it has either done so or that it has voluntarily declined to do so, free from coercion, duress or fraud.

7.8. This Release Agreement supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. The Release Agreement may not be amended except in a writing signed by all of the parties. No representations, warranties, agreements or covenants have been made with respect to this Release Agreement, and in executing this Release Agreement, none of the parties are relying upon any representation, warranty, agreement or covenant not set forth herein.

7.9. This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the **Zero Degrees Italian Ice** is located outside of California and such provision would be enforceable under the laws of the state in which the Zero Degrees Italian Ice is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 7.9 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought in Orange County, California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

IN WITNESS WHEREOF, the parties hereto have executed this Release Agreement as of the Effective Date.

FRANCHISOR:

ZERO DEGREES ITALIAN ICE, INC.,

a California corporation

By: ________________________________

Name: ______________________________

Title: ________________________________

FRANCHISEE:

A: _______________________________

By: ______________________________

Name: ____________________________

Title: ____________________________

OWNER

By: ______________________________

Name: ____________________________, an individual

EXHIBIT G

STATE SPECIFIC ADDENDA

CALIFORNIA

ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION, prior to a solicitation of a proposed material modification of an existing franchise.

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

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

1. The following language is added to the end of Item 3 of the disclosure document:

Neither we nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

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

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

The Franchise Agreement and Area Development Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement and Area Development Agreement contain a covenant not to compete which extends beyond the termination of the franchise.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement provides that the parties must first attempt to resolve all disputes first by good faith negotiation, mediation, and then arbitration in Orange County, California. The fees and expenses of the mediator and arbitrator will be shared equally by Franchisor and Franchisee.

EXHIBIT H

CLOSING QUESTIONNAIRE

ZERO DEGREES ITALIAN ICE, INC.

FRANCHISE CLOSING QUESTIONNAIRE AND COMPLIANCE CERTIFICATE

The undersigned Franchisee desires to enter into a Franchise Agreement with ZERO DEGREES ITALIAN ICE, INC., a California corporation ("Franchisor"). Franchisor requires that Franchisee complete this Questionnaire in order to enable Franchisor to confirm that Franchisor and its employees and representatives have fully complied with all applicable franchise registration and disclosure laws.

1. Full name of Franchisee:

____

2. Franchised Location:

____

____

3. Franchisee is: (Check applicable box)

[ ] An individual [ ] A corporation [ ] A limited liability company

[ ] A general partnership [ ] A limited partnership

4. If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of Franchisee: (Check applicable box)

[ ] Officer (insert title):

[ ] General Partner:

[ ] Other (please explain):

5. Did Franchisee receive a Franchise Disclosure Document from Franchisor?
[ ] Yes [ ] No

6. On what date was the Franchise Disclosure Document received, and by whom?

Recipient: _____

Date: _____

7. Below, please indicate the contracts proposed to be executed by Franchisee in connection with execution of the Franchise Agreement (the "Agreements") and the date that the final form of each of the Agreements was delivered to Franchisee:

[ ] Agreement Date Received _____
[ ] Franchise Agreement
[ ] Area Development Agreement
[ ] Asset Purchase Agreement

8. Name of salesperson(s) handling this sale for Franchisor:

____

9. Except as provided in the Franchise Disclosure Document, were any oral or written statements made to Franchisee by Franchisor, the salesperson(s) listed above, or any other representatives of Franchisor concerning the actual sales, profits or earnings of any franchised or company-owned unit(s), or potential sales, profits or earnings that could be anticipated at any location? [ ] Yes [ ] No.

If yes, please explain in detail (attach additional sheet if necessary) and if none, write "none":

____

____

____

____

10. Did Franchisee carefully review and understand the Franchise Disclosure Document and the Franchise Agreement, as applicable, and the other Agreements?

[ ] Yes [ ] No

If no, please explain:

____

____

____

11. Did Franchisee ask Franchisor any questions concerning the Franchise Disclosure Document or Agreements that were not satisfactorily answered? [ ] Yes [ ] No

If yes, please explain:

____

____

12. Did the salesperson(s) listed above, or any other employee or representative of Franchisor, make any statement to Franchisee which is inconsistent with the information described in the Franchise Disclosure Document? [ ] Yes [ ] No

If yes, please explain:

____

____

____

13. Has any employee or other person on Franchisor's behalf made any statement or promise about Franchisor's affiliated companies other than the information contained in the Franchise Disclosure Document?

[ ] Yes [ ] No

If yes, please explain:

____

____

____

14. Did Franchisee contact other franchisees of Franchisor to discuss Franchisee's possible execution of the Franchise Agreement? [ ] Yes [ ] No

15. If your answer to question 14 was yes, please identify these franchisees (attach extra sheets if necessary):

16. Did Franchisee employ an attorney to render advice to Franchisee concerning the execution of the Franchise Agreement? [ ] Yes [ ] No.

If yes, please insert the name address and telephone number of such attorney:

17. Did Franchisee consult with an accountant or other financial advisor in connection with the execution of the Franchise Agreement? [ ] Yes [ ] No.

If yes, please insert the name address and telephone number of such accountant or financial advisor:

[ ] Accountant

[ ] Other (please describe)

18. Has Franchisee, directly or through one or more affiliated business entities, previously owned and/or operated a business similar to a **Zero Degrees Italian** Ice [ ] Yes [ ] No; if "yes", how many, where and for how long?____.

19. Has Franchisee, directly or through one or more affiliated business entities, previously owned and/or operated a **Zero Degrees Italian Ice** [ ] Yes [ ] No; if "yes", for how long?______.

20. If Franchisee has checked "yes" to question 19, Franchisee represents and agrees that Franchisee is entering into the Franchise Agreement based on Franchisee's own knowledge of, and experience with the **Zero Degrees** System, and not in reliance upon any statements or information made or provided, or alleged to have been made or provided, by Franchisor or its affiliates, or any of its or their officers, directors, agents, employees or representatives, except as set forth in the Franchise Disclosure Document.

AGREED:_ ________________
Franchisee's Initials

Franchisee understands that Franchisor is acting in reliance on the truthfulness and completeness of Franchisee's responses to the questions above in entering into the Franchise Agreement with Franchisee. FRANCHISEE ACKNOWLEDGES AND AGREES THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS QUESTIONNAIRE SHALL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION, AND FRANCHISEE HEREBY WAIVES, TO THE

FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS QUESTIONNAIRE.

FRANCHISEE:

By: ____

Name: _____________________________________

Title: ______________________________________

Date: ______________________________________

EXHIBIT I

FINANCIAL STATEMENTS

LSL

ZERO DEGREES ITALIAN ICE, INC.

DECEMBER 31, 2020

FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT

Focused
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ZERO DEGREES ITALIAN ICE, INC.

FINANCIAL STATEMENTS
& INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020

TABLE OF CONTENTS

LSL

INDEPENDENT AUDITORS' REPORT

To the Management of
Zero Degrees Italian Ice, Inc.
Anaheim, California

We have audited the accompanying financial statements of Zero Degrees Italian Ice, Inc. (a California Subchapter S-corporation), which comprise the balance sheet as of December 31, 2020, and the related income statement, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zero Degrees Italian Ice, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lance, Soll & Lunghard, LLP

Santa Ana, California
April 9, 2021

PrimeGlobal
An Association of Independent Accounting Firms

ZERO DEGREES ITALIAN ICE, INC.

BALANCE SHEET
DECEMBER 31, 2020

Assets		
Current Assets		
Cash	$	317,733
Accounts receivable, net of allowance for doubtful accounts of $220,291		85,198
Due from related parties		196,828
Other receivables		16,657
Notes receivable - shareholders		1,447,179
Total Current Assets		2,063,595
Property and Equipment		
Office equipment		16,891
Furniture and fixtures		2,702
Vehicle		13,636
Total Property and Equipment		33,229
Less: Accumulated Depreciation		(18,037)
Property and Equipment		15,192
Total Assets	$	2,078,787

ZERO DEGREES ITALIAN ICE, INC.

BALANCE SHEET
DECEMBER 31, 2020

Liabilities and Shareholders' Equity	
Current Liabilities	
Accounts payable	$ 3,003
Economic Injury Disaster loan - current portion	1,743
Paycheck Protection Program Loan	186,535
Income tax payable	514
Accrued expenses	20,539
Customer deposits	544,250
Deferred franchise fee revenue - current	88,500
Total Current Liabilities	845,084
Non-Current Liabilities	
Deferred franchise fee revenue - non current	676,042
Economic Injury Disaster loan, net of current portion	148,257
Total Non-Current Liabilities	824,299
Total Liabilities	1,669,383
Shareholders' Equity	
Common stock, no par value; 1,000,000 shares authorized, 1,000,000 shares issued and oustanding	100
Additional paid-in capital	66,625
Retained earnings	342,679
Total Shareholders' Equity	409,404
Total Liabilities and Shareholders' Equity	$ 2,078,787

See Independent Auditors' Report and Notes to Financial Statements

ZERO DEGREES ITALIAN ICE, INC.

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

Revenues		
Franchise fees	$	205,312
Royalty fees		1,135,767
Marketing fees		264,821
Marketing and advertisement fee		29,200
Training fees		65,000
Other revenues		53,750
Total Revenues		1,753,850
Operating Expenses		
Payroll and payroll related expenses		724,620
Marketing and advertisement expenses		256,046
Other selling, general and administration expenses		474,234
Total Operating Expenses		1,454,900
Income From Operations		298,950
Other Income and (Expenses)		
Economic Injury Disaster Grant		10,000
Interest income		16,657
Other expense		(24,439)
Total Other Income		2,218
Net Income Before Income Tax		301,168
Provision For Income Taxes		6,500
Net Income	**$**	**294,668**

See Independent Auditors' Report and Notes to Financial Statements

ZERO DEGREES ITALIAN ICE, INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Common Stock		Additional Paid-In	Retained	
	Shares	Amount	Capital	Earnings	Totals
Balance, December 31, 2019	1,000,000	$ 100	$ 66,625	$ 48,011	$ 114,736
Net Income	-	-	-	294,668	294,668
Balance, December 31, 2020	1,000,000	$ 100	$ 66,625	$ 342,679	$ 409,404

See Independent Auditors' Report and Notes to Financial Statements

ZERO DEGREES ITALIAN ICE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities	
Net income	$ 294,668
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	5,868
Allowance for doubtful accounts	170,291
Amortization of deferred revenue and customer deposit	(205,312)
Changes in operating assets and liabilities:	
Accounts receivable	(50,891)
Due from related parties	(150,462)
Income tax payable	(5,878)
Accounts payable	(15,642)
Accrued expenses	7,812
Customer deposits	49,250
Other receivables	(16,657)
Deferred franchise fee revenue	67,500
Net Cash Provided by Operating Activities	150,547
Cash Flows From Investing Activities	
Payments received on notes receivable - related party	70,272
Issuance of notes receivable - shareholders	(412,580)
Net Cash Used in Investing Activities	(342,308)
Cash Flows From Financing Activities	
Proceeds from Economic Injury Disaster loan	150,000
Proceeds from Paycheck Protection Program Loan	186,535
Net Cash Provided by Financing Activities	336,535
Net Increase in Cash	144,774
Cash, Beginning of Year	172,959
Cash, End of Year	$ 317,733

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Income tax	$ 6,500

See Independent Auditors' Report and Notes to Financial Statements

Note 1: Nature of Business

Zero Degrees Italian Ice, Inc. (the “Company”), is a California Subchapter S-Corporation headquartered in Anaheim, California. The Company was established in April 2017. The Company holds trademark rights to its signature drink Mangonadas. As a franchisor, the Company enters into agreements with franchisees in various states to provide marketing services to independently owned stores. Under the terms of the franchise agreements, franchisees will establish and operate stores under the name of Zero Degrees. These Zero Degrees stores offer Asian-Hispanic fusion drinks and snacks.

Note 2: Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management who is responsible for their integrity and objectivity.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Accounts Receivable

Accounts receivable consists of trade accounts arising in the normal course of business. Uncollectible accounts are written-off after all attempts at collection have been pursued. Trade accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. The allowance for doubtful accounts is determined on the basis of loss experience, economic conditions in the industry, and financial stability of the customers.

Property and Equipment

Property and equipment is stated at cost. Maintenance and repairs are expensed as incurred. Depreciation of equipment is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives of the related assets are as follows:

Office equipment	5 -7 years
Furniture and fixtures	7 years
Vehicles	5 years

Note 2: Summary of Significant Accounting Policies (Continued)

Property and Equipment (continued)

When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Long-lived assets of the Company are reviewed annually as to whether their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations.

Depreciation expense was $5,868 for the year ended December 31, 2020.

Revenue Recognition

The Company's revenues include franchisee fees, and royalty fees, as well as advertising and other franchise support fees. Franchise and royalties fees, and continuing services such as marketing and advertising fees, are not separate and distinct performance obligations as they are highly dependent on each other in supporting the overall brand.

Franchise Fees

The Company offers franchisees the opportunity to operate franchised Zero Degrees stores under franchise and territory agreements. The franchise agreement requires an initial franchise fee of $45,000. Half of the franchise fees is due at the time the franchise agreement is executed and the remaining fees are due when the store opens. The Company recognizes the franchise fees over the term of franchise agreements once the store opens as the Company satisfies the performance obligation of granting the franchisee access to the rights to its intellectual property. The Company's obligation to maintain the Zero Degree brand and other intellectual properties and continue support are generally constant throughout the term of the agreements. Therefore, a ratable recognition pattern is reflective of how the Company satisfies its performance obligations. The terms of the franchise agreements are generally the shorter of ten years or franchisee's lease term, including lease renewals. Management estimates a ten year amortization period as appropriate since the majority of franchisees have a lease term close to ten years after considering the lease renewal options. When a store is closed, the unamortized franchise fee is recognized in full because the Company's obligation completes upon the store closure.

Number of stores under the franchise agreement is as follows:

As of December 31, 2019	39
Add: New stores	6
Less: Stores closed	(5)
As of December 31, 2020	40

Some of the Company's shareholders individually own stores. Three of these shareholder owned stores closed during 2020. As of December 31, 2020, two stores were owned and operated by shareholders.

Note 2: Summary of Significant Accounting Policies (Continued)

Royalty Fees

The Company charges a royalty fee to each store on a bi-weekly basis. The fee ranges from 5% to 6% of monthly gross sales of each store and is recognized when earned, which occurs at the franchisees' point of sale. Royalty fees are not included in the upfront franchise fees.

Marketing Fees

The Company charges marketing fees to each store on a bi-weekly basis. The fee ranges from 1% to 2% of monthly gross sales of each store and is recognized when earned, which occurs at the franchisees' point of sale, with the exception of one store which gets charged a fixed amount of $500 monthly. Marketing fees are not included in the upfront franchise fees.

Marketing and Advertisement Fees

The Company charged $350 per month to franchisees to market and advertise the local franchisees in 2019. The charge was reduced to $250 per month for the months of January and February 2021 and further reduced to $100 per month from March to May 2021 and the charge was waived after June due to the pandemic. Marketing and advertisement fees are not included in the upfront franchise fees.

Training Fees

In conjunction with the opening of a store, the Company provides training to franchisees. Training fees are required to be paid in advance but are recognized as income upon completion of the services performed, which usually takes place just before the stores' grand opening. The fee charges range between $10,000 and $15,000 per training.

Marketing and Advertising Expenses

Marketing and advertising expenses represent expenses incurred by the Company, primarily funded through marketing fees charged to franchisees. The Company's advertising and marketing methods include various online and social media platforms. When revenues from marketing fees exceeds the related advertising expenses, advertising costs are accrued up to the amount of revenue. Revenue was less than costs in 2020; thus, there was no accrual necessary at December 31, 2020.

Income Taxes

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code, to be taxed as an "S" corporation. Under this election, the Company's shareholders, rather than the Company, are subject to federal income taxes on earnings. Therefore, no provision or liability for federal income taxes has been included in the financial statements. This election is also valid for California and Nevada.

Note 2: Summary of Significant Accounting Policies (Continued)

The Company did not have unrecognized tax benefits as of December 31, 2020 and does not expect this to change significantly over the next 12 months. In accordance with GAAP, the Company would recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2020, the Company has not accrued interest or penalties related to uncertain tax positions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Events occurring after December 31, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of April 9, 2021, which is the date the financial statements were available to be issued.

Note 3: Concentrations of Credit Risk

The Company may be subject to credit risk on its cash and cash equivalent investments. At December 31, 2020, the Company maintains its cash balances at one institution. Accounts at these institutions are insured by the FDIC, which covers up to $250,000 for substantially all depository accounts. At various times throughout the year, the balances in these accounts may be in excess of federally insured limits. Management believes the Company is not exposed to any significant credit risk on its cash accounts.

Note 4: Customer Deposits and Deferred Revenue

Payments for franchise fees and other fees received before the execution of the agreement or before the store opens are recorded as customer deposits on the accompanying balance sheet. Upon store opening, the deposit then begins amortization of recognized revenue. Since these deposits are expected to be recognized as revenue within a one year, it is classified as a current liability in the accompanying balance sheet.

Deferred franchise fee revenue and customer deposit are considered contract liabilities. The Company has continuing obligations to maintain the Company's brand, consultation and training to franchisees. Marketing activities and location visits are necessary to be performed during the term of the franchise agreements. The Company treats those variable unsatisfied obligations as a single obligation. Therefore, the Company recognizes franchise fees over the term of the franchise agreements once a store opens. The unrecognized portion of franchise fees for stores which are in operation are included as a deferred revenue liability on the accompanying balance sheet.

Note 4: Customer Deposits and Deferred Revenue (Continued)

The following is the balance included in customer deposits as of December 31, 2020:

	Balance Beginning of Year	New Stores	Refunds and Adjustments	New Deposits	Balance at End of Year
Customer Deposits	$ 697,500	$ (202,500)	$ (15,000)	$ 64,250	$ 544,250

The following is the balance included in deferred revenue as of December 31, 2020:

	Balance Beginning of Year	New Stores Opened	Current Year Revenue	Balance at End of Year
Deferred Revenue	$ 699,854	$ 270,000	$ (205,312)	$ 764,542

The Company recognized revenue during the current year of the unamortized portion of franchisee fee of $129,187 due to the closure of franchisees' stores. In addition, current year amortized revenue of $76,125 was recognized for new stores opened, totaling $205,312.

Deferred revenue increased by $202,500 from the reclassification of customer deposits and $67,500 from franchise fee payments received for stores opened in 2020.

Deferred revenue performance obligations (franchise agreements) for the years ended December 31 are as follows:

2021	$ 88,500
2022	88,500
2023	88,500
2024	88,500
2025	88,500
Thereafter	322,042
	$ 764,542

Note 5: Related Party Transactions

Notes Receivable Shareholders

The Company has notes receivable from its shareholders totaling $1,447,179 at December 31, 2020 as follows:

The 36% shareholder had an unsecured promissory note agreement in the amount of $372,455 dated November 2019 with a maturity date of December 2020. The note was amended to include additional borrowings made during the year of $262,580. The amended note receivable dated Decembnoter 31, 2020 totals $635,035 and bears interest at a rate of 2.6% and matures in December 2025. The unpaid accrued interest of $5,996 has been included in other receivables. Principal payments are due quarterly and an interest payment is due annually in December.

Note 5: Related Party Transactions (Continued)

The 12% shareholder had an unsecured promissory note agreement in the amount of $127,152 dated November 2019 with a maturity date of December 2020. The note was amended during 2020, bears interest at a rate of 2.6% and matures in December 2025. The unpaid accrued interest of $2,047 has been included other receivables. Principal payments are due quarterly and an interest payment is due annually in December.

The 18.5% shareholder had an unsecured promissory note agreement in the amount of $191,401 dated November 2019 with a maturity date of December 2020. The note was amended to include additional borrowings made during the year of $20,000. The amended note receivable dated December 31, 2020 totals $211,401, bears interest at a rate of 2.6% and matures in December 2025. The unpaid accrued interest of $3,082 has been included in other receivables. Principal payments are due quarterly and an interest payment is due annually in December.

The 18.5% shareholder had an unsecured promissory note agreement in the amount of $191,401 dated November 2019 with a maturity date of December 2020. The note was amended to include additional borrowings made during the year of $40,000. The amended note receivable dated December 31, 2020 totals $231,401, bears interest at a rate of 2.6% and matures in December 2025. The unpaid accrued interest of $3,082 has been included in other receivables. Principal payments are due quarterly and an interest payment is due annually in December.

The 15% shareholder had an unsecured promissory note agreement in the amount of $152,190 dated November 2019 with a maturity date of December 2020. The note was amended to include additional borrowings made during the year of $90,000. The amended note receivable dated December 31, 2020 totals $242,190, bears interest at a rate of 2.6% and matures in December 2025. The unpaid accrued interest of $2,450 has been included in other receivables. Principal payments are due quarterly and an interest payment is due annually in December.

In 2018, the Company entered into a note receivable agreement with a related party, which is 70% owned by the 36% shareholder of the Company, in the amount of $70,272. The loan was paid off by the transfer of the fair value of inventory owned by a related party for approximately $60,000 and remaining amount was assigned and added to the note receivable from the 36% shareholder.

Due from Related Parties

The Company's shareholders individually own some Zero Degrees retail stores in California. During 2020, three stores closed and two stores remained as of December 31, 2020. These stores do not have franchise agreements with the Company. The Company, however, pays costs on behalf of those stores in the course of normal business activities. These stores owe the Company $80,518 as of December 31, 2020.

The company received funds and paid costs on behalf of a related inventory supplier during the year through the ordinary course of business. This related supplier owes the Company $116,310 as of December 31, 2020.

Note 5: Related Party Transactions (Continued)

Operating Lease

The Company entered into a sublease agreement on October 2019 for its office space with the same related inventory supplier. The agreement requires the Company to pay $1,428 per month. The sublease agreement expired in April 2021. The Company has continued on a month to month agreement. The monthly payment is $1,428. The lease expense for 2020 was $17,136.

Note 6: Paycheck Protection Program Loans ("PPP Loan")

The Coronavirus Aid, Relief and Economic Security Act ("CARES Act") of 2020 provided businesses with the PPP loan in response to economic disruptions resulting from the coronavirus pandemic.

In April 2020, the Company received loan proceeds in the amount of $186,535 from the Small Business Administration ("SBA") under PPP loan. The loan is unsecured. The PPP loans and accrued interest are forgivable after a covered period (24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 6 months after the end of the covered period. The Company used the PPP loan proceeds for purposes consistent with the regulations and will apply for forgiveness within the time limits allowed.

Note 7: Economic Injury Disaster Loan ("EIDL Loan")

On May 8, 2020, the Company entered into an EIDL Loan (under Section 7(b) of the Small Business Act, as amended) with the US Small Business Administration ("SBA") in the amount of $150,000. The loan bears interest at an annual fixed rate of 3.75% and accrues from the date when the funds were advanced. The loan requires a monthly principal and interest payment of $731, with the first payment due May 2021 and the balance of principal and interest will be payable in 30 years. The loan is secured by all tangible and intangible assets of the Company. UCC-1 was filed by SBA in the state of California. The Company's loan proceeds has been used for working capital of the Company's operation.

Future principal payments due on the Economic Injury Disaster Loan for years subsequent to December 31, 2020 are as follows:

Year Ending December 31,	
2021	$ 1,743
2022	3,078
2023	3,195
2024	3,317
2025	3,443
Thereafter	135,224
	$ 150,000

Note 8: Economic Injury Disaster Loan (EIDL) Grant

During 2020, the Company received an EIDL advance grant through the SBA in the amount of $10,000. While the SBA refers to this program as an advance, it was written into law as a grant. As such, the amount given through this program does not need to be repaid.

Note 9: Entities Under Common Control

With respect to entities under common control, the Company has elected to apply the alternative accounting and disclosures provided to private companies by generally accepted accounting principles related to entities under common control. Accordingly, the following Zero Distribution, Inc. has not been evaluated under the guidance in the VIE subsections of FASB ASC 810.

The Company and Zero Distribution, Inc. are under common control. Zero Distribution, Inc. was created in 2019 to take over a wholesale business of the Company. Although there were no direct activities or any executed agreements between the Company and Zero Distribution, Inc. during the year ended December 31, 2020, Zero Distribution, Inc. primarily sells their products to franchisees of the Company. In turn, the Company receives royalty fees from franchisees based on their gross revenue which represents a significant portion of revenue to the Company.

Note 10: COVID-19 Pandemic

On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, some states have declared a state of emergency. The Company's franchisees operated in 8 states. Most of franchisees were impacted by government regulations or other health guidelines which resulted in reduced scales of operations and customer traffic for the Company's franchisees. The reduction in the retail revenue resulted in reduction in royalty revenue for the Company.

The extent to which COVID-19 impacts the Company's business and operations will depend of future developments, which are uncertain and cannot be predicted as of the date of this report. The Company is continuing to monitor and assess the effects of the COVID-19 pandemic on its business; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

EXHIBIT J

STATE AGENTS AND
STATE ADMINISTRATIONS

NAMES AND ADDRESSES OF AGENTS FOR SERVICE OF PROCESS AND STATE REGULATORY AUTHORITIES

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
CALIFORNIA	Department of Financial Protection & Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (916) 327-7585 or (866) 275 - 2677	Department of Financial Protection & Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (916) 327-7585 or (866) 275 - 2677
HAWAII	Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586 - 2722	Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586 - 2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782 - 4465	Chief, Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, IL 62706 (312) 814 - 3892
INDIANA	Secretary of State Administrative Office 201 State House Indianapolis, IN 46204	Securities Commissioner Securities Division, Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232 - 6681
MARYLAND	Maryland Securities Commissioner Securities Division 200 St. Paul Place Baltimore, MD 21202-2020	Maryland Attorney General Office of the Attorney General 200 St. Paul Place Baltimore, MD 21202 (410) 576 - 6360

MICHIGAN	Michigan Department of Commerce Corporations and Securities Bureau 525 W. Ottawa 670 Law Building Lansing, MI 48913	Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa P.O. Box 30213 Lansing, MI 48909 (517) 373 - 7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198	Deputy Commissioner Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296 - 6328
NEW YORK	Secretary of State of the State of New York 41 State Street Albany, NY 11231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416 - 8211
NORTH DAKOTA	North Dakota Securities Commissioner 600 East Boulevard, Fifth Floor Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328 - 4712
RHODE ISLAND	Director of Rhode Island Department of Business Evaluation Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903	Associate Director and Superintendent of Securities Division of Securities Bldg. 69, 1st Floor 1411 Pontiac Ave. Cranston, RI 02920 (401) 462 - 9527
SOUTH DAKOTA	Division of Securities South Dakota Department of Revenue and Regulation 445 E. Capitol Avenue Pierre, SD 57501	Franchise Administrator Division of Securities 445 E. Capitol Avenue Pierre, SD 57501 (605) 773 - 4013
VIRGINIA	Clerk of State Corporation Commission 1300 E. Main Street Richmond, VA 23219 (804) 371 – 9733	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371 - 9051

WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, WA 98501	Administrator Dept. of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98501
WISCONSIN	Wisconsin Commissioner of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 266 - 3432

EXHIBIT K

TABLE OF CONTENTS OF OPERATIONS MANUAL

Table of Contents

EXHIBIT L

RECEIPTS

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If ZERO DEGREES ITALIAN ICE, INC. offers you a franchise, ZERO DEGREES ITALIAN ICE, INC. must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan, New York and Rhode Island require that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If ZERO DEGREES ITALIAN ICE, INC. does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency Identified on **Exhibit J.**

The franchisor is ZERO DEGREES ITALIAN ICE, INC., located at 3921 E. La Palma Avenue, Anaheim, California 92807; telephone number (714) 803 - 3628. The following persons, some also listed in Item 2 of this Disclosure Document, will represent franchisor with the sale of franchises: **Ken Le, Trinity Le, Sang Huynh, Vu Le**, and **Dewey Nguyen**.

Issuance Date:_____________.

We authorize the persons and/or entities listed on **Exhibit J** to receive service of process for us.

I have received a Disclosure Document dated_____________. This Disclosure Document includes the following Exhibits:

Exhibit A	Franchise Agreement and Attachments
Exhibit B	Area Development Agreement and Attachments
Exhibit C	Option to Obtain Lease Assignment
Exhibit D	Confidentiality Agreement for Prospective Franchisees
Exhibit E	Non-Disclosure and Confidentiality Agreement for Employees of Franchisee
Exhibit F	General Release Agreement
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

______________________________ ___________________________________

Date Franchisee

Please sign this copy of the Receipt, date your signature, and return it to: Dewey Nguyen, ZERO DEGREES ITALIAN ICE, INC., 3921 E. La Palma Avenue #E, Anaheim, California 92807; Telephone (714) 803 – 3628; Email Dewey@ZeroDegreesCompany.com.

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Exhibit L	Receipts

________________________ ____________________________

Date Franchisee

Keep this copy for your records. This Disclosure Document may be available in several formats including on paper, on a CD, or in pdf format.