

FRANCHISE DISCLOSURE DOCUMENT

MENCHIE'S GROUP, INC

a California corporation

17555 Ventura Boulevard, Suite 200

Encino, CA 91316

818-708-0316

www.menchies.com

Received
LA Mailroom

MAY 01 2015

Department of
Business Oversight



We grant you the right to operate a MENCHIE'S Store. Your Store will offer for sale soft-serve frozen yogurt, ice cream, desserts and beverage items and other related products. We also grant to qualified franchisees the right to develop MENCHIE'S stores under a Multi Unit Agreement.

The total investment necessary to begin operation of your Store is from \$230,507 to \$392,710. This includes \$45,000 that must be paid to us. The total investment necessary to begin operation under a Multi Unit Agreement is from \$226,325 to \$479,158. This includes \$48,000 to \$125,000 that must be paid to us.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact MJ Kwon, at 17555 Ventura Boulevard, Suite 200, Encino, CA 91316, telephone 818-708-0316.

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

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

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

Issuance Date April 30, 2015

STATE COVER PAGE

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

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

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

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

- 1 THE FRANCHISE AGREEMENT AND MULTI UNIT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY LITIGATION/ARBITRATION/MEDIATION ONLY IN CALIFORNIA. OUT-OF-STATE LITIGATION/ARBITRATION/MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE/ARBITRATE/MEDIATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
- 2 YOU DO NOT RECEIVE AN EXCLUSIVE TERRITORY. WE CAN COMPETE WITH YOU IN NON-TRADITIONAL (SPECIAL SITE) LOCATIONS AND IN ALTERNATE CHANNELS OF DISTRIBUTION.
- 3 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Registration States Effective Dates See following page

MENCHIE'S

Franchise Disclosure Document Effective Dates

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

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

California

Hawaii

Illinois

Indiana

Maryland

Michigan

Minnesota

New York

North Dakota

Rhode Island

South Dakota

Virginia

Washington

Wisconsin

**NOTICE REQUIRED
BY
STATE OF MICHIGAN**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision

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

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

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

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

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

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

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

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

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

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

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

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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The franchisor is "Menchie's Group, Inc." For ease of reference, we will be referred to as "Menchie's," "we," or "us" in this Disclosure Document. The person or entity who buys the franchise will be referred to as "you" and "your" throughout this Disclosure Document. If you are a corporation or limited liability company, your owners must sign our "Guaranty and Assumption of Obligations," which means that all of our Franchise Agreement's provisions also will apply to your owners.

The Franchisor

We are a California corporation incorporated on January 2, 2008. Our principal business address is 17555 Ventura Boulevard, Suite 200, Encino, California 91316. We began offering franchises in March 2008. Since September 2011, we have operated a business similar to the business being franchised in Encino, California. We do not offer and have not offered franchises in any line of business.

We operate under the name "MENCHIE'S" and the other marks described in Item 13 (the "Marks").

Agent for Service of Process

Our agents for service of process are disclosed in Exhibit A.

Parents, Predecessors and Affiliates

We do not have any parents or predecessors. We do not have any affiliates that need to be disclosed in this Disclosure Document.

From March, 2009 to April 2013, our affiliate BSD USA, LLC ("BSD") served as a subfranchisor of Menchie's Group, Inc. and granted MENCHIE'S franchises in certain states. All of BSD's subfranchise agreements were transferred to us in April 2013. BSD does not operate any other business and has never offered franchises in any other line of business.

The Franchise Offered

We grant you the right to operate a store under the "MENCHIE'S" trademark and other Marks (the "Store"). We also offer qualified franchisees the right to develop multiple MENCHIE'S stores under the terms of a Multi Unit Agreement (the "Multi Unit Agreement"). If you sign a Multi Unit Agreement, you will sign a separate Franchise Agreement for each Store developed under your Multi Unit Agreement.

Your Store will offer premium frozen yogurt, ice cream, dessert items, beverages, and other products (the "Menu Items") for retail sale to the public. Menu Items are prepared

according to specified recipes and procedures and use high-quality ingredients, including our specially formulated and specially produced proprietary lines of frozen yogurt and other food products Each Store will operate under the name MENCHIE'S and other Marks we designate

You must operate your Store under the MENCHIE'S System (the "System") The System is characterized by a distinctive layout, service style, design, signs, decor, furnishings, recipes, procedures and techniques all of which we may change MENCHIE'S stores range in size from 900 to 1,700 square feet depending on the location of your Store You must adhere to the System regardless of the size of your Store

We also offer qualifying franchisees the right to develop multiple MENCHIE'S stores under a Multi-Unit Development Agreement For stores developed under a Multi-Unit Development Agreement, you will sign our then-current form of Franchise Agreement

Market and Competition

Your Store will offer products and services to the general public throughout the year and compete with other frozen dessert chains (local, regional, and national), restaurants, grocery stores, and food service businesses The market for your type of products and services is developed and very competitive Because sales of frozen desserts generally increase in warmer weather, your sales may be seasonal

Industry-Specific Regulations

We know of no trade or license regulations which specifically affect the frozen yogurt industry Laws exist in every state that govern the food-service industry (including health, sanitation, and safety regulations regarding food storage, preparation and safety) You must comply with all local, state, and federal laws that apply to your store's operation, including health, sanitation, EEOC, OSHA, discrimination, employment, and sexual harassment laws The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction You must obtain real estate permits (such as zoning permits), real estate licenses and operational licenses You also must comply with all PCI Data Security Standards

There are also regulations that pertain to sanitation, labeling, food preparation, food handling, and food service You will be required to comply with all applicable federal, state, and local laws and regulations during the operation of your Store You should consult with an attorney concerning those and other local laws and ordinances that may effect to your Store's operation

Item 2

BUSINESS EXPERIENCE

Chief Executive Officer, Board Director Amit Y Kleinberger

Mr Kleinberger has served as a Board Director and Chief Executive Officer for Menchie's since July 2008

Director of Business Development, Chairman Elie Balas

Mr Balas has served as Director of Business Development and Chairman for Menchie's since July 2008

Chief Operations Officer Adam Caldwell

Mr Caldwell has served as a Board Director and Chief Operations Officer for Menchie's since July 2008

Vice President of Operations Tom Regev

Mr Regev has served as Vice President of Operations for Menchie's since March 2009

Vice President of Marketing Ana Hernandez

Ms Hernandez has served as Vice President of Marketing since December 2014. From 2011 to November 2014 she served as Executive Director, International Marketing at DineEquity, Inc located in Glendale, CA. From 1999 to 2011 she served as Director of Brand Marketing for Wendy's International, Inc located in Dublin, OH

Senior Director of Food Services Gary Hunter

Mr Hunter has served as the Senior Director of Food Services for Menchie's since May 2012. From June 2008 to April 2012, Mr Hunter served as the Senior Director of Operations for Robeks, located in Los Angeles, California

Senior Director of Real Estate and Development David Goldberg

Mr Goldberg has served as the Senior Director of Real Estate and Development for Menchie's since October 2012. From July 2010 to September 2012 Mr Goldberg was investigating employment opportunities. From January 2010 to June 2010 Mr Goldberg served as a consultant for Marco's Pizza located in Toledo, Ohio

Senior Director of Real Estate and Development Bonnie Gatine

Ms. Gatine has served as the Senior Director of Real Estate and Development for Menchie's since January 2013. From February 2012 to December 2012 Ms. Gatine served as a consultant for Altura LLC located in Mission Viejo, California. From March 2011 to January 2012 and from September 2008 to August 2009 Ms. Gatine was an independent consultant for BCG Consulting located in Irvine, California. From September 2009 to February 2011 Ms. Gatine served as the Senior Manager of Real Estate for Coffee Bean & Tea Leaf located in Los Angeles, California.

Director of Communications Kristin Belg

Ms. Belg has served as the Director of Communications since June 2012. From June 2010 to June 2012, she served as our Franchise Relation Manager. From June 2009 to 2010, she served as a Franchise Relations Leader for us.

Director of Research & Product Development Laura Baldwin

Ms. Baldwin has served as the Director of Research & Product Development since April 2011. From January 2010 to April 2011 Ms. Baldwin served as a Sous Chef for the Sur La Table Culinary Program located in Los Angeles, California. From March 2009 to March 2011, Ms. Baldwin served as a Manager for PepsiCo manufacturing facilities located in Los Angeles, California.

Senior Vice President of Franchise Development Joe Matthews

Mr. Matthews has served as Senior Vice President of Franchise Development for Menchie's since January 2010. Since July 2002 Mr. Matthews has served as the Director of Franchise Performance Group in Litchfield, Connecticut.

Vice President of Franchise Development Brian Melaney

Mr. Melaney has served as Vice President of Franchise Development for Menchie's since September 2008.

Franchise Development Manager Chris Brown

Mr. Brown has served as a Franchise Development Manager for Menchie's since August 2013. From February 2013 to August 2013 Mr. Brown served as a freelance Hospitality Consultant in Franklin Lakes, New Jersey. From February 2010 to February 2013 Mr. Brown served as the District Manager for Sodexo in Baltimore, Maryland.

Franchise Development Manager Paul Martell

Mr Martell has served as a Franchise Development Manager for Menchie's since August 2010 From September 2008 to August 2010 Mr Martell served as a Franchise Development Manager for DoodyCalls Franchising LLC located in Charlottesville, Virginia

Franchise Development Manager Frank M Morrison

Mr Morrison has served as a Franchise Development Manager for Menchie's since May 2010 From April 1999 to April 2010 Mr Morrison served as a business coach and franchise consultant for The Entrepreneur's Source located in Miami, Florida

Franchise Development Manager Michael Mudd

Mr Mudd has served as a Franchise Development Manager for Menchie's since May 2010 From November 2009 to May 2010 Michael served as a Sr Consultant for Franchise Performance Group and as the Director of Franchise Development for HART Health Franchise located in Seattle, Washington

Franchise Development Manager Angela Shaw-Long

Mrs Shaw-Long has served as a Franchise Development Manager for Menchie's since January 2011 From September 2001 to May 2010 Mrs Shaw-Long was a franchise owner of Shaw Consulting LLC, d/b/a The Entrepreneur's Source, located in New York, New York

Franchise Development Manager Eric J Edwards

Mr Edwards has served as our Franchise Development Manager since July 2014 From August 2012 to July 2014 Mr Edwards served as a franchise consultant for Executive Franchise Development located in Greenville, South Carolina From January 2007 to July 2012 Mr Edwards served as Director of Development for Del Taco located in Orange County, California

Franchise Development Manager Dave Crowley

Mr Crowley has served as our Franchise Development Manager since July 2014 From June 2013 to July 2014 he worked as an independent consultant working with clients on Retail Site Investigation and Concept Evaluation in Lexington, Kentucky From May 2011 until June of 2013 he served as Vice President Special Projects and Regional Vice President of Development for Marco's Franchising LLC in Toledo, Ohio From October 2010 until May 2011 he served at Franchise Sales Manager for Valvoline Instant Oil change, located in Lexington Kentucky From May 2002 to June 2010, Mr Crowley served as Senior Manager of Franchise Development for Yum Brands, Inc , parent company of KFC, Pizza Hut, Taco Bell, Long John Silver's and A&W Restaurants located in Louisville, Kentucky

Franchise Development Manager MJ Kwon

Ms Kwon has served as Franchise Development Manager for Menchie's since January 2015. From March 2011 until January 2015 she served as Head Franchise Development Associate. From October 2008 to October 2010 Ms Kwon served as Executive Administrator at World Impact in Los Angeles, California. From November 2009 to April 2011 Ms Kwon served as HOA Associate at Action Property Management in Los Angeles, California.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item

Item 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item

Item 5

INITIAL FEES

Franchise Fee

The Franchise Fee for a single franchise is \$40,000, which will be paid in full at the time you sign the Franchise Agreement. The Franchise Fee is earned upon receipt and except as noted below is non-refundable.

Within 30 days of the effective date of your first Franchise Agreement, you may choose to open additional Stores (a total of three Stores or five Stores, including the Store to be operated under your first Franchise Agreement), and receive the benefit of paying a reduced, per Store Initial Franchise Fee (as described further below). If you choose to exercise this option, you will be required to pay us the difference between the Initial Franchise Fee(s) you already paid and the balance owed for the additional Stores you agree to open, which will be calculated and paid as stated in our then-current form of Multi Unit Agreement. You also will be required to sign a Multi Unit Agreement, or if you are already a party to a Multi Unit Agreement, an addendum to the Multi Unit Agreement identifying the additional Stores you agree to open.

Uniforms, Merchandise, Equipment and Supplies

You will be required to purchase from us uniforms, merchandise, equipment and store supplies costing approximately \$3,000.00 for each Store you agree to open. This amount is earned upon receipt and is non-refundable.

Multi Unit Fee

If you enter into a Multi Unit Agreement, the Initial Franchise Fee for each Store will depend on the number of Stores you agree to open. If you agree to open three Stores, the Initial Franchise Fee for each Store will be \$32,000. If you agree to open five Stores, the Initial Franchise Fee for each Store will be \$25,000.

If you sign a Multi Unit Agreement, you must pay us a "Multi Unit Fee" based upon the number of Stores you agree to develop and operate. If you agree to open three Stores, your Multi Unit Fee will be \$96,000 (\$32,000 x 3). If you agree to open five Stores, your Multi Unit Fee will be \$125,000 (\$25,000 x 5). You will pay the Multi Unit Fee as follows: (1) one-half of the total Multi Unit Fee upon the signing of the Multi Unit Agreement, or (2) the total Multi Unit Fee upon the signing of the Multi Unit Agreement. The Multi Unit Fee is fully earned by us upon receipt and is non-refundable.

If you pay one-half of the total Multi Unit Fee upon the signing of the Multi Unit Agreement, the portion of the Multi Unit Fee paid that is attributable to each Store you agree to develop under the terms of the Multi Unit Agreement will be credited against the Initial Franchise Fee due for each Store upon the signing of each individual Franchise Agreement. The remaining balance of the Initial Franchise Fee for each Store will be due when you sign a Franchise Agreement for the Store. Under this option you will develop and open each Store before beginning the development of the next Store.

If you choose to pay the total Multi Unit Fee upon signing the Multi Unit Agreement, you also will sign a Franchise Agreement and Addendum to Franchise Agreement (attached as Schedule G to the Franchise Agreement) for each Store you agree to open when you sign the Multi Unit Agreement. The Addendum to Franchise Agreement will modify the time you will have to develop and open each Store – two years if you agree to open three Stores, and three years if you agree to open five Stores.

Menchie's Proprietary System Software Package

You must pay us a monthly fee of \$80 for the Menchie's Proprietary System Software Package. The monthly fee will cover our expenses associated with furnishing one user with our franchise management software, creating email accounts, email marketing, and providing technology administration and maintenance according to our then current guidelines and procedures, which may change from time to time. The monthly fee for the Menchie's Proprietary System Software Package is non-refundable and you will begin paying the fee 30 days after you sign a lease for your Store. The monthly fee will be paid to us via electronic transfer. We reserve the right to increase or decrease the monthly fee each calendar year. We will provide you with written notice of any change to the fee 14 days prior to any change.

Menchie's Development Services Fee

You will pay us a Development Services Fee in the amount of \$1,920. The Development Services Fee is due when you sign the Franchise Agreement. In exchange for the Development

Services Fee we will provide you with site selection assistance and support. The Development Services Fee is earned upon receipt and is not refundable.

The range of initial fees we collected during our last fiscal year are as follows

Franchise Fee \$25,000 to \$40,000

Uniforms, Merchandise, Equipment and Supplies \$3,000 - \$8,000

Multi Unit Fee \$96,000 - \$125,000

Technology Fee \$80

Item 6

OTHER FEES

Type of Fee (1)	Amount	Due Date	Remarks
Royalty fee (2)	6% of Gross Sales (3)	Weekly	Weekly payment (Friday) to us, via electronic banking
Marketing Fee (4)	2% of Gross Sales (3)	Weekly	Weekly payment (Friday) to us, via electronic banking
Local Advertising Fee	\$10,000	Yearly	
Franchisee Ad Co-op Fee (5)	To be determined by the Co-op	To be determined by the Co-op	If we designate a local cooperative, you must participate in the cooperative
Audit fee	Cost of audit Precise estimate is unknown as of the date of this Disclosure Document, but is estimated to range from \$100 to \$2,000	5 days after notice of amount due	You will pay us the costs of an audit to be performed if you fail to provide monthly financial statements, which are required by the Franchise Agreement in excess of three times per calendar year or if a random audit shows an understatement of Gross Sales in excess of 2%
Late fee	Ten percent (10%) of the amount due	Within 5 days of the date of Menchie's statement for amount due	You will pay us a late fee in the amount of 10% if you fail to pay the Royalty and Advertising and Marketing Fee within ten days of the due date. You also will be required to pay us a late fee on any other overdue amount beginning with the date payment is due until you pay the arrearage

Type of Fee (1)	Amount	Due Date	Remarks
Interest on late payments	The lesser of 1 ½% per month or the maximum amount permitted by applicable law	Within 5 days of date of Menchie's statement for amount due	You will pay us interest on any Royalty or Advertising and Marketing Fee or other fees due us, in the amount of 1½% per month You also will be required to pay us interest on any other overdue amount beginning with the date payment is due until you pay the arrearage
Additional training fee	To be determined by us, but not to exceed \$500 per person per day	Before commencement of the training program	You will pay us a non-refundable fee if you ask for special assistance or we determine that additional training is warranted after your initial training period
Operations Manual	\$500 00	As incurred	In the event an Operations Manual is lost, stolen, or otherwise unavailable to you, you must pay us \$500 for a replacement copy
Alternative supplier evaluation fees	Various amounts to be determined by the amount of time and money necessary to evaluate the alternative supplier and/or the alternative product Precise estimate is unknown as of the date of this Disclosure Document, but is estimated to range from \$500 to \$5,000 This amount will include our costs and expenses associated with any testing, including travel and lodging expenses incurred by us to visit a supplier's facilities	As incurred	If you seek approval of a new supplier or product, we may charge you a fee for conducting the evaluation or you may have to pay some third party to evaluate your item or proposal
Renewal fee	10% of our then current franchise fee	Before signing of the renewal franchise agreement	Payable to us, if you wish to renew your franchise agreement
Alternative dispute fee	To be determined by the American Arbitration Association	At commencement of dispute resolution	Fee for participating in any dispute-resolution process
Transfer fee	Fifty percent (50%) of our then current franchise fee	Due at time Transferee signs Franchise Agreement	Either you or transferee must pay us the transfer fee

Type of Fee (1)	Amount	Due Date	Remarks
Seminar and convention fees	No charge for attending seminars or conventions Fees for travel, food, and lodging will depend on distance traveled and accommodations which one chooses	As incurred	Fees for travel, food, and lodging to attend seminars and conventions Paid to various vendors Certain expenses may be refundable under various circumstances
Costs and attorneys' fees	Will vary under circumstances	As incurred	Payable to us, to reimburse us for fees incurred by us in obtaining injunctive or legal relief for the enforcement of any item of the Franchise Agreement or for costs incurred for arbitration proceedings
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for any claims arising from your business
Insurance (6)	Will vary according to coverage and area	As incurred	You must be fully covered in all areas of operating a business If you do not procure and maintain the required insurance coverage we may, but are not required to, procure insurance coverage on your behalf and to charge the costs to you together with a reasonable fee for the expenses we incur
Proprietary Software	Various Amounts	As incurred	If we develop a proprietary software, you must use it
Grand Opening Marketing Campaign	\$5,000	As incurred	You must spend at least \$5,000 on grand opening marketing and promotion during the first month your Store is open Your grand opening marketing expenditures will count towards your first year's local advertising requirements
Inspection Fee	Our costs and expenses in conducting any subsequent pre-opening Store inspection We estimate that this amount will not exceed \$1,500 00	Upon demand	We will inspect your Store prior to opening If your Store does not pass initial inspection, you will be charged for all costs and expenses we incur in conducting any subsequent inspections

Notes

- (1) You will pay all fees to us unless otherwise noted All fees are non-refundable unless otherwise noted All fees are uniformly imposed
- (2) The amount of the Royalty Fee for any renewal term will be as provided in the franchise agreement executed for such renewal

(3) Gross Sales means the total revenues and receipts from the sale of all products, services and merchandise sold in your Store, whether under any of the Marks or otherwise, including any catering or delivery services, cover charges or fees in your Store or on its premises, and all revenues derived from any type of authorized vending machines Gross Sales excludes sales taxes

(4) The Advertising and Marketing Fee is paid to us for deposit in a Marketing Fund Any expenses for local marketing must be paid by you directly to the vendors

(5) We may designate a local advertising cooperative and require you to contribute to and participate in the cooperative If established, you must direct your local advertising expenditure to the cooperative, which is separate from the Marketing Fee Each Store, including any company- or affiliate-owned stores (except Special Sites) will be a member of the cooperative Each Store will have one vote per Store If the majority of the stores in a local marketing cooperative are company- or affiliate-owned, we will have majority voting power

(6) Insurance includes all risk or all peril coverage, business interruption insurance, comprehensive general liability insurance and other forms of insurance we require You pay insurance merchandise directly to our required third party insurer You must deliver to us upon commencing construction of your Store, and thereafter annually or at our request, a proper certificate evidencing the existence of the required insurance coverage

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Franchise Fee (1)	\$40,000	Certified funds	At time of signing of Franchise Agreement	Us
Training Expenses(2)	\$2,430-\$5,000	Check, cash, or credit card	As incurred	Paid to various vendors
Development Services Fee (3)	\$1,920	As agreed to	At time of signing Franchise Agreement	Us
Rent Deposit (4)	\$2,500-\$10,000	As agreed to	As incurred	Landlord
Leasehold improvements (5)	\$90,000-\$135,000	As agreed to	As incurred	Paid to various providers
Furniture, Fixtures, and Equipment (6)	\$69,792-\$132,800	As agreed to	As incurred	Paid to various required suppliers
Computer (POS) System (7)	\$5,990	As agreed	As incurred	Vendor

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Signage (8)	\$1,900-\$10,000	As agreed to	As incurred	Vendor
Opening Inventory (10)	\$3,000-\$4,000	As agreed to	As incurred	Designated and approved suppliers
Uniforms, Merchandise, Equipment and Sales (11)	\$3,000	Certified funds	As incurred	Us
Initial Marketing (12)	\$2,975-\$4,000	As agreed to	As incurred	Vendors
Utility Deposits, Security Deposits, Business Licenses, etc (13)	\$1,000-\$3,500	As agreed to	As incurred	Various govt entities, utility companies
Inspection Fee (14)	\$0-\$1,500	As agreed to	As incurred	Us
Additional Funds—3 Months (15)	\$6,000-\$36,000	As agreed to	As incurred	Various vendors
Total (16)	\$230,507-\$392,710			

Notes

*We do not offer direct or indirect financing to franchisees for any items Except where otherwise noted, all amounts that you pay to us are non-refundable Third party suppliers will decide if payments to them are refundable

(1) Franchise Fee The Initial Franchise Fee is \$40,000 for an individual franchise If you sign a Multi Unit Agreement, the Initial Franchise Fee you will pay will depend on the number of Stores you agree to open If you agree to open three Stores, your Franchise Fee will be \$32,000 for each Store If you agree to open five Stores, your Franchise Fee will be \$25,000 for each Store As outlined further in Item 5, you can either pay one-half of the total Initial Franchise Fees for the Stores you agree to open at the time you sign the Multi Unit Agreement or pay the total Initial Franchise Fees for the Stores you agree to open at the time you sign the Multi Unit Agreement

(2) Training Expenses We will not charge you a fee for you and one additional person to attend our initial training program You, however, are responsible for all hotel, transportation and other costs and expenses for the people you designate to attend our initial training program The amount in the table represents the estimated costs and expenses you will incur for you and one additional person to attend our initial training program These amounts are not refundable

(3) Development Services Fee At the time you sign the Franchise Agreement you must pay us the Development Services Fee The Development Services Fee is earned upon receipt and is non-refundable

(4) Real Estate A MENCHIE'S Store occupies about 900 to 1,700 square feet of space Rent depends on geographic location, size, local rental rates, businesses in the area, site

profile, and other factors and could be considerably higher in large metropolitan areas than in more suburban or small town areas. Stores can be located in strip shopping centers, shopping malls, free-standing units, and other venues in downtown commercial areas and in residential areas. We anticipate that you will rent the Store's premises. It is possible, however, that you will choose to buy, rather than rent, real estate on which a building suitable for the Store already is constructed or could be constructed. The rental security deposit may be refundable depending on your agreement with your landlord.

(5) Leasehold Improvements Leasehold improvement costs, including floor coverings, wall treatments, counters, ceilings, painting, window coverings, electrical, carpentry, and similar work, and architect's and contractor's fees depend on the site's condition, location, and size, the demand for the site among prospective lessees, the site's previous use, the build-out required to conform the site for your Store, and any construction or other allowances the landlord grants. The lower figure assumes that you have a unique real estate model, the higher figure assumes a high square footage model. These monies are not refundable after they have been expended. The estimates included in the table above reflect the average deduction provided by landlords for tenant improvements and other allowances.

(6) Equipment These amounts include the frozen yogurt-making machines that you must purchase from our required supplier. This amount also includes the cost for refrigerators, freezers, and other equipment, such as office equipment and furniture and a telephone system. These amounts are not refundable, but the machines may be sold.

(7) Computer (POS) System You must purchase a Computer System that meets our specifications and requirements.

(8) Signage This includes inside and outside signage. The monies are usually not refundable after they have been expended.

(9) Technology Fee You must pay us a monthly Technology Fee in the amount of \$80 per month. The estimate in the table above reflects your Technology Fee for the first three months of operation.

(10) Inventory This includes food and beverage products, paper products, cleaning supplies, and printing uniforms, promotional material and other supplies. Monies spent on these items are not refundable, but the unused items may be sold.

(11) Uniforms, Merchandise, Equipment and Supplies You must purchase your uniforms, merchandise, and certain equipment and supplies from us.

(12) Grand Opening Marketing Monies to be included in initial marketing for the first 3 months of operation. This includes funds to be used for your "Grand Opening Marketing Campaign". These monies are not refundable. Amounts spent on your Grand Opening Marketing will count toward your first year's local advertising requirements.

(13) Business Licenses You must obtain business licenses as dictated by local regulations. You will need to provide monies for deposits for utilities and insurance. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, revenue, number of employees, square footage, location, business contents, and other factors bearing on risk exposure. The estimate contemplates insurance costs for 3 months. These monies are not refundable.

(14) Inspection Fee We will inspect your Store prior to opening. If your Store does not pass initial inspection, you will be charged for all costs and expenses we incur in conducting any subsequent inspection, which amount will not exceed \$1,500.

(15) Additional Funds This item estimates your expenses during the initial period (first three (3) months) of operation of your MENCHIE'S Store (other than the items identified separately in the table). This estimate includes payroll costs. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how closely you follow our recommended methods and procedures, your management skill, experience, and business acumen, local economic conditions, the local market for your products and services, the prevailing wage rate, competition, and the sales level reached during the initial period of operation of your Store. This amount does not end your initial investment obligation.

(16) Total We relied on our Affiliate's years of experience operating a MENCHIE'S store to compile these estimates. You should review these figures carefully with a business advisor before deciding to acquire the franchise.

You are cautioned to allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. You must bear any deviation or escalation in costs from the estimates in this Item 7 or estimates that we give during any phase of the development process.

ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT
(Multi Unit Agreement)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Estimated Initial Investment for First Store (1)	\$178,325-\$345,158	As outlined in table above	As outlined in table above	As outlined in table above
Multi Unit Fee (2)	\$48,000-\$125,000	Certified funds	At time of signing of Multi Unit Agreement	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Total (3)	\$226,325— \$470,158			

(1) This amount reflects the total estimated initial investment needed to open your first Store as outlined in Item 7 above, less the \$40,000 Initial Franchise Fee. If you sign a Multi Unit Agreement, you will pay us a Multi Unit Fee as described below

(2) The amount of the Multi Unit Fee will depend on whether you agree to open 3 Stores or 5 Stores. You will pay the Multi Unit Fee as follows (i) one-half of the total Multi Unit Fee upon the signing of the Multi Unit Agreement, or (ii) the total Multi Unit Fee upon the signing of the Multi Unit Agreement. The low estimate reflects payment of one-half of the total Multi Unit Fee for 3 Stores and the high estimate reflects payment of the entire Multi Unit Fee for 5 Stores

(3) You should be aware that your initial investment for your second and subsequent Stores likely will be higher than the above estimates for your first Store due to inflation and other economic factors that may vary over time

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to ensure a uniform image and uniform quality of products and services throughout the MENCHIE'S System, you must maintain and comply with our quality and system standards. Although you are not required to purchase or lease real estate from us, we will assist you in site selection and we must accept the location of your Store. You must execute our standard form of Lease Addendum in connection with any lease for the location, a copy of which is attached to the Franchise Agreement as Schedule C. You must construct and equip your Store in accordance with our then current approved design, specifications and standards. In addition, it is your responsibility to ensure that your building plans comply with the Americans with Disabilities Act and all other federal, state and local laws. You also must use equipment (including hardware and software for your Computer System), signage, fixtures, furnishings, products, ingredients, supplies and advertising materials that meet our specifications and standards.

Designated Sources

You must purchase certain equipment, products, merchandise and supplies only from us or our required suppliers as noted in this Item 8. From time to time we, an affiliate or a third party vendor or supplier may be the only approved supplier for certain products. For example, as of the date of this Disclosure Document, you must purchase all trademarked retail items, products and supplies, including apparel and accessories, toys, bags and mugs, from us. Additionally, you must purchase your uniforms, and certain merchandise, supplies, equipment

and other materials, including cabinets and gift bags from us. You will pay the then-current price in effect for all purchases you make from us, our affiliate or any third party vendor we designate.

Approved Supplies and Suppliers

We provide you with a list of approved manufacturers, suppliers and distributors ("Approved Suppliers List") and approved inventory products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate the Store ("Approved Supplies List"). The Approved Supplies List may specify a required manufacturer or supplier of a specific product or piece of equipment. We reserve the right to designate a required source of supply for certain products and supplies, and we or an affiliate may be a required source. For example, we currently require our franchisees to use the following source for a particular product, service or piece of equipment.

Required Source	Required Item or Service
Us	Site Selection
Interplan	Architecture
Superior Freezers	Soft-Serve Machines
MICROS	Point of Sale Systems
Scott's Dairy	Yogurt and Dairy
FPN	Credit Cards and Loyalty Processing
Retail Radio	In-Store Music
FranConnect	Franchise Management Software
Gaspar Insurance	Insurance
Dawn Foods Products	Menu Items
Global Sign Systems	Outdoor Signage
Arrow Restaurant Supply	Restaurant Supply
Color Edge	Indoor Signage

The lists also may include other specific products without reference to a particular manufacturer or supplier, or they may set forth the specifications and/or standards for other approved products. For example, as noted below, you must obtain insurance that meets our standards and requirements. We may revise the Approved Suppliers List and Approved Supplies List. We give you the approved lists as we deem advisable. We generally do not give these lists to approved suppliers. We will set up your menu and provide contact information for your distributors and/or manufacturers of all products offered at the Store.

Except where we identify a sole single source, if you propose to use in the operation of your Store any product, supply, material, furnishing or equipment which has not yet been approved by us as conforming to our specifications and quality and system standards and/or from a supplier not yet approved in writing by us, you must first notify us in writing and must submit to us, upon request, sufficient information, specifications, and samples so that we can determine whether the item or service complies with System standards or the supplier meets our supplier

criteria. We will provide you with written approval or disapproval within a reasonable time period (typically 30 days). You may not use any product, supply, material, furnishing or equipment that we have not approved.

Supplier approval will depend on product quality, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service, and/or a supplier's willingness to pay us or our affiliates for the right to do business with our System. We may inspect or re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier fails to continue to meet our criteria and specifications. As a condition of approval, you and/or any supplier must reimburse us for all costs and expenses incurred by us associated with any testing, including travel and lodging expenses incurred where we deem it necessary to visit a supplier's facilities.

Nothing contained in this Disclosure Document or in Franchise Agreement requires us to approve an inordinate number of suppliers of a given item or approve suppliers, which, in our reasonable judgment, would result in higher costs to our franchisees or prevent, in our sole judgment, our effective and economical supervision of suppliers.

Because we supply the trademarked merchandise to our franchisees, some of our officers owns an interest in one of our suppliers (the Franchisor). No officer owns an interest in any other supplier.

You must carry insurance policies protecting you, us and our affiliates. As of the date of this Disclosure Document you must obtain your insurance from Gaspar Insurance. The insurance policy or policies shall be written in accordance with the standards and specifications (including minimum coverage amounts) outlined in writing by us from time to time, and, at a minimum, shall include the following (except as different coverages and policy limits may be specified for all franchisees from time to time in writing) (i) "special" causes of loss coverage forms (sometimes called "All Risk coverage" or "All Peril coverage") on the Store, store improvements, furniture, fixtures, equipment, supplies and other property used in the operation of the Store, for full repair and replacement value, except that an appropriate deductible clause is permitted, (ii) business interruption insurance covering a minimum 12 months loss of income, including coverage for our Royalty Fees (for example, in the event of a fire or destruction of the premises, the insurance must cover our average royalty payments (based on the previous 12 month timeframe, or if a shorter timeframe, the total operating timeframe for the store) during the rebuilding process), (iii) comprehensive general liability insurance, including product liability insurance and contractual liability insurance, (iv) workers' compensation covering all of your employees, (v) motor vehicle insurance, (vi) umbrella liability insurance which also includes employers liability, (vii) "Per Location" aggregate limits when multiple store locations are insured under one comprehensive general liability and umbrella liability policy(cies), (viii) Menchie's Group, Inc named as an additional insured on all liability policies required by this subparagraph, (ix) severability of interests or separation of insureds provisions must be included in the liability policies and all policies must be primary and non-contributing with any insurance policy carried by Menchie's Group, Inc , and (x) any other such insurance coverages or amounts as required by law or other agreement related to the Store. We may from time to time modify the

required minimum limits (including an increase to the umbrella policy referenced in (vi) above) and require additional insurance coverages by providing written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the MENCHIE'S System, standards of liability and higher damage awards

The insurance coverages referenced above must commence as of the date you sign a lease or purchase agreement for the Authorized Location

You must deliver to us upon execution of the lease or purchase agreement for the Authorized Location, but before commencing construction of your Store, and thereafter annually or at our request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this subparagraph. The insurance certificate must show our status as an additional insured (as noted in (viii) above) and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. If you do not procure and maintain the required insurance coverage (including any modifications referenced in the preceding sentence), we have the right, but not the obligation, to procure insurance coverage and to charge the costs to you, together with a reasonable fee for the expenses we incur in doing so. You must pay these amounts to us immediately upon written notice.

Although we require certain insurance coverage and have recommended other coverages, we do not guarantee that the required or recommended insurance will be adequate to fully protect your assets. You should therefore consult with an insurance professional to determine what coverage, in addition to the minimum required coverage, may be needed for you and your Store.

We and our affiliates reserve the right to receive rebates or other consideration from suppliers in connection with your purchase of trademarked merchandise, goods, products and services as described in this Item 8, as well as in connection with any future purchase of any goods, products or services. Most of these payments are calculated on an amount based on products sold. We will retain and use such payments as we deem appropriate or as required by the vendor. Except for those items you purchase from us directly, during our last fiscal year ending December 31, 2014, we did not receive any rebates from any of our required or approved suppliers based upon your purchases. We do derive revenue from items we sell directly to you by charging you more than our cost. During our last fiscal year ending December 31, 2014, we derived revenue from your purchases from us in the amount of \$3,754,660, which amount represents 16% of our total revenue of \$23,221,361.

We may negotiate prices for numerous products for the benefit of the System but not on behalf of individual franchisees. Currently, there is no purchasing or distribution cooperative but we reserve the right to create a cooperative and require you to participate. We may receive volume discounts for the System which we will pass through to our franchisees. Beyond these discounts, we do not provide material benefits to you because of your use of approved suppliers.

You can expect items purchased or leased in accordance with our specifications will represent approximately 90% of total purchases you will make to begin operations of the business and 70% of the ongoing costs to operate the business.

Item 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement*	Item in Disclosure Document
(a) Site selection and acquisition/lease	Sections 2A and 5A, Multi Unit Agreement Section 4 and Appendix C	Items 7 and 11
(b) Pre-opening purchases/leases	Sections 5A, 6A, 6E and 9B	Items 5, 6, 7 and 8
(c) Site development and other pre-opening requirements	Sections 5A and 5B, Multi Unit Agreement Sections 2 and 4	Items 7, 8 and 11
(d) Initial and ongoing training	Sections 7B and 7C, Multi Unit Agreement Section 6	Items 6 and 11
(e) Opening	Sections 2B and 5A, Multi Unit Agreement Section 4 and Appendix C	Items 5 and 11
(f) Fees	Sections 9A-9F, Multi Unit Agreement Section 3 and Appendix A	Items 5, 6 and 7
(g) Compliance with standards and policies/operations manual	Sections 6A and 6O, Multi Unit Agreement Sections 4 and 6A	Items 6, 7, 8, 11, 14 and 16
(h) Trademarks and proprietary information	Sections 3A-3E and 6J, Multi Unit Agreement Section 6B	Items 13 and 14
(i) Restrictions on products/services offered	Sections 2D-2E and 6A-6C	Items 6, 7, 8, 11 and 16
(j) Warranty and customer service requirements	Sections 2E and 6K	Items 6 and 11
(k) Territorial development and sales quotas	Sections 2B and 2D, Multi Unit Agreement Section 4 and Appendix B and C	Item 12
(l) Ongoing product/services, purchases	Sections 6A-6C	Items 6, 7 and 8
(m) Maintenance appearance and remodeling requirements	Sections 5B-5F	Items 8 and 11
(n) Insurance	Section 10C	Items 6, 7 and 8
(o) Advertising	Sections 8A-8E and 9D	Items 6, 7 and 11
(p) Indemnification	Section 10B	Not Applicable
(q) Owner's participation/management/staffing	Sections 7A-7F	Items 11 and 15
(r) Records and reports	Sections 9G, 9J and 9K	Item 11
(s) Inspections/audits	Sections 5A-5C, 6G and 9I	Items 6 and 11
(t) Transfer	Sections 11A-11G, Multi Unit Agreement Section 9	Items 6 and 17

Obligation	Section in Agreement*	Item in Disclosure Document
(u) Renewal	Section 4B	Items 6 and 17
(v) Post-termination obligations	Sections 14A-14C, Multi Unit Agreement Sections 8A-8F	Item 17
(w) Non-competition covenants	Section 10D	Item 17
(x) Dispute resolution	Sections 12A-12B, Multi Unit Agreement Sections 10H and 10N	Item 17
(y) Other	Not Applicable	Not Applicable

*Unless otherwise noted, Section references are to the Franchise Agreement

Item 10

FINANCING

Neither we nor any of our affiliates offer any direct or indirect financing. We do not guarantee your notes, leases, or any obligation. We are unable to estimate if you will be able to obtain financing from third parties and, if so, the terms and conditions of financing.

Direct Connect Ventures, LLC, ("DCV") is a recommended service provider for new and existing franchisees that can assist and guide you with obtaining the necessary funding options for startup and expansion financing that include and are not limited to the standard Small Business Administration ("SBA") 7(a) loan program. DCV may enable those who qualify with the opportunity to obtain financing in an expeditious and more predictable fashion. We have not entered into any agreements with DCV in connection with any funding or financing programs that may be available to you. We will not receive any compensation for placement of this debt and may compensate the funding management company in some manner.

We do not have any past or present practice, or intention, to sell, assign or discount any third party note, contract or other instrument that you may sign. We do not guarantee any financing obligations on your behalf.

We encourage that you seek financial funding management services from Direct Connect Ventures, LLC, a California Limited Liability Company whose mailing address is 3835 Thousand Oaks Boulevard, Suite 206, Westlake Village, CA 91362, whose phone number is 805 449 2411 and whose website is www.DirectConnectVentures.com

Item 11

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

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

Pre-Opening Assistance

Before you open the Store, we will

1 Provide you with our site selection criteria and general building and design requirements for your Store Provide you with site selection assistance and support (Franchise Agreement—Sections 5A and 5B)

2 Provide you with our Circle of Success Program (Franchise Agreement – Section 2A)

3 Provide you with the Approved Supplies and Approved Suppliers Lists (Franchise Agreement—Section 6C)

4 Loan you either a written copy or electronic copy of the Operations Manual, the current table of contents of which is in Exhibit G As of the date of this Disclosure Document, the Operations Manual contains 295 pages (Franchise Agreement—Section 6I)

5 Provide the initial training program and opening assistance described below (Franchise Agreement—Sections 7B and 7C)

6 Inspect your Store prior to opening and provide a Certificate of Opening A Certificate of Opening may be obtained only after all local permits, certificates and codes have been met and a certificate of occupancy has been granted If you do not pass your initial inspection, you will be charged for all costs and expenses incurred by us in sending an inspector to re-inspect your Store We estimate that this amount will not exceed \$1,500 00 (Franchise Agreement – Section 5A)

Post-Opening Assistance

During your operation of the Store, we will

1 Maintain the Marketing Fund (Franchise Agreement—Section 8A)

2 Provide updates to the Approved Supplies and Approved Suppliers Lists (Franchise Agreement—Section 6C)

3 Make periodic visits to your Store as we reasonably determine necessary to provide consultation and guidance We will advise you of any problems arising out of the

operation of your Store as disclosed by the report or by our inspection (Franchise Agreement—Section 6G)

4 Periodically offer refresher training courses as we determine necessary and require you to attend (Franchise Agreement—Section 7C)

Our Obligations Under the Multi Unit Agreement

A developer signs the initial Franchise Agreement in the Development Schedule at the time the Multi Unit Agreement is signed Our obligations under the Franchise Agreement apply to a developer Each time a developer signs another Franchise Agreement, our obligations are activated for the new Store established We do not have any separate obligations under the Multi Unit Agreement

Time of Opening

After you sign the Franchise Agreement, but before you begin the site selection process, you must satisfactorily complete our Circle of Success Program The Circle of Success Program consists of 8 separate recorded webinar session lasting approximately one hour each It will take approximately 2 weeks (8 hours total) to complete the Circle of Success Program

We estimate that it will take approximately 8 months after you sign a lease for your Store before you open the Store You must sign a lease for an acceptable site within 24 months after the Franchise Agreement's Effective Date We may terminate the Franchise Agreement if you fail to sign a lease within the 24-month period If you sign a Multi Unit Agreement and choose to pay the total Multi Unit Fee at the time you sign the Multi Unit Agreement (see Item 5), you will have three years to open three Stores or four years to open five Stores The specific timetable for opening depends on the site's condition, the Store's construction schedule, the extent to which you must upgrade or remodel an existing location, the delivery schedule for equipment and supplies, the completion of training, and your compliance with local laws and regulations You may not open the Store until (1) we inspect your Store and provide you with a Certificate of Opening, (2) you complete pre-opening training to our satisfaction, (3) you pay the initial franchise fee and other amounts then due to us, and (4) you give us certificates for all required insurance policies and present copies of required licenses

Advertising

As of the date of this Disclosure Document, you pay a Marketing Fee of 2% of your Gross Sales to a marketing and development fund (the "Fund") established by us

We administer the Fund The Fund is not a trust or escrow account, and we do not have any fiduciary obligations with respect to the Fund If all of the Marketing Fees are not spent in the fiscal year in which they accrue, the remaining amounts are retained in the Fund for use in the following years We may use the Fund for various purposes, including, but not limited to (1) salaries, benefits and any other payments made to employees/team members or any other individual or entity providing services to the Fund, (2) broadcast or print advertising, (3) the

creation, development and production of advertising and promotional materials (*i.e.*, print ads, radio, film and television commercials, videotapes, direct mail pieces, and other print advertising), (4) any marketing or related research and development, (5) advertising and marketing expenses, including product and food research and development, services provided by advertising agencies, public relations firms or other marketing, research or consulting firms or agencies, menu designs, customer incentive programs, sponsorships, marketing meetings and sales incentives, development of our website and intranet system, Internet access provider costs, subscriptions to industry newsletters or magazines, and administrative costs and salaries for marketing support personnel, and (6) costs and expenses incurred by us relating to any franchise convention we hold or sponsor

We determine the use of the monies in the Fund. We are not required to spend any particular amount on marketing, advertising or promotion in the area in which your Store is located. We oversee the advertising program and use the Fund to create marketing materials and conduct national, regional or local advertising as we determine appropriate. We will contribute to the Fund amounts equal to your required percentage for each similarly situated company-owned and affiliate-owned stores in the same local marketing area, except those stores located at "Special Sites." From time to time we may contribute to the Fund some amounts paid to us by outside suppliers. We will prepare an annual unaudited accounting of the Fund and will make it available for your review upon your written request. We have our own in-house marketing and advertising production capabilities, but also may use an outside national, regional, or local agency. We may be reimbursed for administrative costs and overhead incurred in administering the Fund. We may use a portion of the advertising funds for the solicitation of franchise sales.

During our last fiscal year ending December 31, 2014, Fund income was spent in the following approximate amounts: 31% on administration, 1% on supplies, 29% on payroll, and 39% on marketing firm fees.

In addition to the Marketing Fee, you also must spend at least \$10,000 per year on local marketing and promotion. You may only use your own marketing material if we have approved it before its use. We will notify you of our approval within 30 days after the marketing material is submitted. If we do not notify you of our approval within 30 days of the marketing material being submitted then the marketing material will be deemed unapproved.

You also must engage in certain grand opening marketing events and activities during the first month your Store is open. Specifically, you must spend at least \$5,000 on a grand opening campaign which will include promotional elements, merchandise/giveaways, entertainment, decorations, yogurt and labor (the "Grand Opening Marketing Campaign"). Your grand opening marketing expenditures will count towards your first year's local advertising requirements.

You must obtain our written approval of all promotional and marketing materials prior to their use.

Although we do not currently do so, we reserve the right to require advertising or marketing cooperatives to be formed, changed, dissolved or merged in our sole determination. If

established, you must direct your local advertising expenditures to the advertising cooperative which is separate from the payment of the Marketing Fee

Computer System

You must obtain and use in your Store a MGHQ approved Point-Of-Sale cash register system. You must record all sales on the Point-Of-Sale System. The System will generate reports on the sales and expenses of the Store, and it currently costs approximately \$5,990. You must obtain the Point-Of-Sale System from our designated supplier, currently Micros. You will be solely responsible for the acquisition, operation, maintenance, and upgrading of the Point-Of-Sale System. Neither we, nor any affiliate or third party, is obligated to provide ongoing maintenance, repairs, upgrades, or updates for the Point-Of-Sale System. We currently do not require that you purchase a maintenance, repair, upgrade, or update service contract for the Computer System, but it is strongly suggested and we reserve the right to do so in the future. The current annual cost of a service contract is about \$1,200.

Our current Point-Of-Sale System requirements are identified in Exhibit E. We reserve the right to change the point-of-sale cash register system and back-of-office computer at any time, but will not require you to replace these items more than three times during the initial term of the Franchise Agreement. We reserve the right to change the software each calendar year. At such time as we designate the change or enhancement to the Point-Of-Sale System you may be required to make certain payments to us or our designated suppliers. You will have 30 days to install and commence using the changed or enhanced Point-Of-Sale System. You must acquire the right to use hardware, software, peripheral equipment and accessories, and arrange for installation, maintenance and support services of the initial, changed or enhanced Point-Of-Sale System all at your cost. There are no contractual limitations on the frequency and cost of this obligation.

The Point-Of-Sale System we develop may include proprietary software. You may be required to license the proprietary software from us, an affiliate or a third party, and you also may be required to pay a software licensing or use fee in connection with your use of the proprietary software. All right, title and interest in the software will remain with the licensor of the software.

We may independently access the Point-Of-Sale System and retrieve, analyze, download and use all software, data and files stored or used on the Point-Of-Sale System. We may access the Point-Of-Sale System through our intranet, in your Store or from other locations. You must store all data and information that we designate and report data and information in the manner we specify, including through our intranet or other online communications. You also must maintain a phone line and a separate modem dedicated for the sole use of allowing our computer system to interface and communicate with your Point-Of-Sale System and you may need to purchase software designated by us for this to occur. You also must have your Store connected to the Internet using a connection method we approve, currently DSL or Cable modem. You must have a permanent Internet email account. Your e-mail account may not exceed 50 megabytes.

You understand that the data storage, phone line, modem, communication software, Internet access, Internet email account and all additional hardware and software needed to implement and maintain these services is at your cost

Site Selection

You select the site for the Store with site selection guidelines we provide. We will assist you in connection with selecting and securing a site for your Store, but it is your responsibility to find a site for your Store. We do not select your site. However, upon your submission of all required information, we will notify you whether or not we have any objections to the site you proposed. You may not proceed to develop a Store on the site unless we have provided you with our acceptance of the site. Further, we must approve your plans and specifications for the Store before you commence construction. Our identification or consent to a site does not constitute a guarantee, recommendation or assurance as to the success of the site or your Store. The site selection factors considered by us in deciding whether or not to object to the location may include the following: (a) demographics, (b) traffic patterns, (c) parking and visibility, (d) business mix and competition, (e) ability to reflect image to be portrayed by MENCHIE'S businesses, and (f) size, appearance and other physical characteristics of the site. We may reject a site proposed by you in which case you will continue to look at alternative sites. Under a Multi-Unit Development Agreement, we will approve the location of future units and any territories for those units based upon our then-current standards for sites and territories.

You have two years to select a site. If the site selection cannot be agreed upon within this timeframe, we reserve the right to terminate the Franchise Agreement.

Training/Education

Before you open your Store, we will train you and your Operating Partner and one of your manager-level employees to operate a MENCHIE'S Store. We will provide 14 days of training (although the specific number of days depends on our opinion of your experience and needs) at our training facility in Los Angeles, California, or another location we designate. You must attend the entire 14 days.

Additional people beyond the first two may attend initial training if you pay our then-current training charge for each additional person (we will determine the training charge, but in no event will this charge exceed \$500 per person per day). You also must pay for all travel and living expenses that you and your employees incur and for your employees' wages and workers' compensation insurance while they attend our initial training program.

Training will occur after you sign the Franchise Agreement and while you are developing the Store. You and your attendees must complete the entire training program to our satisfaction before you may open your Store. If you or your attendees do not successfully graduate our training program you will have to attend the entire program again at your cost prior the opening of your Store. As of the date of this Disclosure Document, we provide the following training:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of on the Job Training	Location
Welcome	3 5	0	Encino, California
Culture	8	0	Encino, California
Guest Care	7	0	Encino, California
Product Knowledge	9	0	Encino, California
Store Operations	16	0	Encino, California
Branding	1	0	Encino, California
In-Store Marketing	5	0	Encino, California
Business	5 5	0	Encino, California
Equipment Knowledge	6	3	Encino, California
Store Opening Progress	4	1	Encino, California
Real Estate	4	1	Encino, California
One-on-One Meetings	1	0	Encino, California
In-Store Experience	0	36	Encino, California
Electives	2 5	0	Encino, California
Practical and Action Plan	2	0	Encino, California
Final Testing	1 5	0	Encino, California
Optional Extra In-Store Experience	0	10	Encino, California
Total	76	51	

Tom Regev, our Vice President of Operations, oversees all training Mr Regev has served as our Vice President of Operations since March 2009 Other staff members, who are listed in Item 2 may oversee and assist with training The Operations Manual will be used as the principal instructional material

When your Store is ready to open, you must obtain approval of the completion of your Store Fourteen days after obtaining the approval to open your Store we will, at our cost, send one of our representatives to your Store for 4 days to educate, train, conduct a final inspection and assist with your Store opening Successful completion of this training phase will enable you to open your Store

You (or your Operating Partner) and/or other previously trained and experienced employees must attend and satisfactorily complete various training courses that we periodically provide at the times and locations we designate In addition to attending these courses, you must attend an annual meeting of all franchisees at a location we designate We will not require attendance at the annual meeting for more than 3 days during any calendar year You are responsible for all related travel and living expenses and wages As of the date of this Disclosure Document, the location, duration, frequency and content of any additional training program we may require is unknown Generally, this additional training will be available on an "as needed" basis depending on new product and services introduction, and the availability of training locations

We may require Store managers to satisfactorily complete initial and ongoing training programs

We may charge you a fee for training managers (we will determine the training charge, but in no event will this charge exceed \$500 per person per day) You are responsible for all related travel and living expenses and wages

Operations Manual

The Table of Contents of the Operations Manual, together with the number of pages in each Article and the total number of pages, is stated in Exhibit G You must treat the Operations Manual, and other written materials created for or approved for use in the operation of the Store, and the information contained in them, as confidential The Operations Manual will remain our sole property We may, from time to time, revise the contents of the Operations Manual and you must comply with each new or changed standard

Item 12

TERRITORY

You will operate the Store at a specific location that we first must approve (the "Authorized Location") Except for Special Sites, we will not during the term of your franchise operate or grant others the right to operate a MENCHIE'S Store within a specified geographic area (the "Designated Territory"), except as generally described in this Item 12 and more fully stated in the Franchise Agreement You do not receive an exclusive territory You may face competition from other franchisees, from outlets that we own or from other channels of distribution or competitive brands that we control

Under a Multi-Unit Development Agreement, we will approve the location of future units and any territories for those units based upon our then-current standards for sites and territories

We will not locate another MENCHIE'S Store, whether operated by another franchisee, us or one of our affiliates, any closer than 2 miles from the main entrance of your Store The boundaries of your Designated Territory may depend upon any major topographical features which clearly define a contiguous area, like rivers, major freeways, etc

During the term of your Franchise Agreement and provided you are in compliance with the terms and conditions of your Franchise Agreement, we will not (i) modify the Designated Territory, (ii) establish a company-owned or franchised MENCHIE'S Store inside the Designated Territory, or (iii) establish a company-owned or franchised Store inside the Designated Territory that offers the same products and services as your MENCHIE'S Store, except for any Merger/Acquisition Activity (as described and defined below)

You may operate the Store only at the Authorized Location and may not relocate the premises without our approval We will allow relocation if circumstances dictate that it is in your and our best interests

We retain all rights that are not expressly granted to you under the Franchise Agreement. The license granted to you under the Franchise Agreement does not provide you with any right to (i) sell products and Menu Items identified by the Marks at any location outside the Designated Territory, except for any catering or delivery services we permit, (ii) sell products or Menu Items through alternative channels or methods of distribution, including the Internet (or any other existing or future form of electronic commerce), (iii) sell products and Menu Items identified by the Marks to any person or entity for resale or further distribution, except as we may designate in writing, or (iv) exclude, control or impose conditions on our development of future franchised, company- or affiliate-owned stores at any time or at any location regardless of the proximity to your Designated Territory.

Further, we may, among other things, on any terms and conditions we deem advisable, without paying compensation to any franchisee, and without granting you any rights therein

- (i) establish and/or license others to establish franchised or company-owned Stores at any location outside your Designated Territory regardless of the proximity of such stores to your Designated Territory,
- (ii) merge with, acquire or become associated with ("Merger/Acquisition Activity") any businesses or stores of any kind under other systems and/or other marks, which businesses and stores may convert to or operate under the Marks and may offer or sell menu items, products and services that are the same as or similar to the Menu Items offered at or from the Store, and which stores may be located anywhere inside or outside of your Designated Territory, and
- (iii) offer, sell and distribute for ourselves and/or license others to offer, sell and distribute through franchised businesses or any other method of distribution, both inside and outside your Designated Territory, menu items the same as or different from the Menu Items offered under the System, and which are offered and distributed under the Marks or marks different than the Marks through any distribution channels or methods. The distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, wholesale, business or industry locations (e.g. manufacturing site, office building), military installations, military commissaries or the Internet (or any other existing or future form of electronic commerce)

Special Sites will also be excluded from your Designated Territory and we have the right to develop or franchise the following Special Site locations (1) military bases, (2) public transportation facilities, (3) sports facilities, including race tracks, (4) student unions or other

similar buildings on college or university campuses, (5) amusement and theme parks, (6) malls and (7) special events ("Special Sites")

You must not offer catering and delivery services unless we authorize in writing

Continuation of your franchise rights and Designated Territory do not depend on the achievement of a certain sales volume, market penetration or other contingency. You do not receive the right to acquire additional franchises unless you sign another franchise agreement with us.

We do not place any restrictions on the customers you may solicit. You do not, however, have the right to use other channels of distribution to make sales.

Multi Unit Agreement

The rights described above regarding what we and our affiliates can do for a single Store are generally the same if you sign a Multi Unit Agreement. In addition, we may terminate the Multi Unit Agreement if you (i) fail to exercise options to enter into Franchise Agreements with us within any period on the Development Schedule, (ii) fail to comply with any other terms and conditions of the Multi Unit Agreement, (iii) make or attempt to make a transfer or assignment in violation of the Multi Unit Agreement, or (iv) fail to comply with the terms and conditions of any individual Franchise Agreement or of any other agreement to which you and we or our affiliates are parties.

Item 13

TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use the Marks in connection with the operation of your Store.

The following Marks are registered upon the principle registry of the United States Patent and Trademark Office.

Mark	Registration No	Date of Registration
MENCHIE'S	3,519,334	October 21, 2008
Menchie's (Design) 	3,733,426	January 5, 2010
Menchie's Guy (Design) 	3,704,602	November 3, 2009
MIX WEIGH PAY	4,049,126	November 1, 2011
MY SMILEAGE	4,180,405	July 24, 2012

Mark	Registration No	Date of Registration
SMILEAGE	4,180,406	July 24, 2012
WHAT'S YOUR MIX	4,180,407	July 24, 2012
WE MAKE YOU SMILE	4,354,430	June 18, 2013
3-DIMENSIONAL CONFIGURATION OF RESTAURANT INTERIOR (Design)	4,524,078	May 6, 2014

The following Mark has been applied for registration upon the principle registry of the United States Patent and Trademark Office

Mark	Application Number	Application Date
OUR MAIN INGREDIENT IS A SMILE	86/372,035	August 20, 2014

We claim common law trademark rights for all of the Marks. We have filed or intend to file all required affidavits and renewals for the Marks noted above

You must follow our rules when you use the Marks, including giving proper notices of trademark and service mark registration and obtaining fictitious or assumed name registrations required by law. You may not use any Mark in your corporate or legal business name, with modifying words, terms, designs, or symbols (except for those we license to you), in selling any unauthorized services or products, or as part of any domain name, homepage, electronic address, or otherwise in connection with a Web site

Schedule B to your Franchise Agreement identifies the Marks that you are licensed to use. We have the right to change Schedule B from time to time. Your use of the Marks and any goodwill is to our exclusive benefit, and you retain no rights in the Marks. You also retain no rights in the Marks upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing. We may change the System presently identified by the Marks, including the adoption of new Marks, new Menu Items, new products, new equipment, or new techniques, and you must adopt the changes in the System as if they were part of the Franchise Agreement at the time of its execution. You must comply within a reasonable time, at your expense, if we notify you to discontinue or modify your use of any Mark. We will have no liability or obligation as to your modification or discontinuance of any Mark, except that we will reimburse you for your out-of-pocket expenses, including letterhead, in an amount not to exceed \$250.

There are currently no material determinations of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition, or cancellation proceedings involving the principal Marks. There is no pending material federal or state court litigation regarding our use or ownership rights in any trademark.

There are no currently effective agreements that significantly limit our rights to use or license the use of these trademarks.

We will protect your right to use the Marks against claims of infringement or unfair competition arising out of your proper use of the Marks. You must notify us of the use of, or claim of rights to, a trademark identical or confusingly similar to our Marks. We have the right to determine whether or not we will take affirmative action when notified of these uses or claims and the right to exclusively control any litigation or proceedings. You are required to assist us in the prosecution of such litigation or proceedings. We will reimburse you for all actual damages (other than loss of income) and out-of-pocket expenses incurred by you in connection with any claim by any third party for infringement or unfair competition arising out of your use of the Marks, however, our obligations to reimburse you will exist only if you have used the name or Mark that is the subject of the controversy in strict accordance with the provisions of this Agreement and our rules, regulations, procedures, requirements, and instructions, and have notified us of the challenge as stated above and have otherwise fully cooperated with us in the defense of any action.

We know of no superior prior rights or infringing uses that could materially affect your use of the trademarks in the state where your franchise business will be located.

Item 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

As of the date of this Disclosure Document, we do not own any rights in or to any patents, patent applications or copyrights that are material to the franchise. We claim copyright protection for our Operations Manual and other publications and promotional materials, although we have not registered any of the materials with the U.S. Copyright Office. These materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in the Franchise Agreement, Operations Manual, and other communications that we provide to you. We reserve the right to register any of our copyrighted materials at any time we deem appropriate.

There currently are no effective determinations of the Copyright Office (Library of Congress), United States Patent & Trademark Office, Board of Patent Appeals & Interferences, or any court, or any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any patents or copyrights.

There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. We are not required by any agreement to protect or defend any patent, trademark, or copyright.

We know of no superior prior rights or infringing uses that could materially affect your use of the copyrights in the state where your franchise business will be located.

Our Operations Manual and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). This information includes site selection criteria, recipes, training and operations materials, methods, formats, specifications, standards,

systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating MENCHIE'S Stores, marketing and advertising programs for MENCHIE'S Stores, any computer software or similar technology that is proprietary to us or the system, knowledge of specifications for and suppliers of Approved Suppliers and other products and supplies, knowledge of the operating results and financial performance of MENCHIE'S Stores other than your Store, and graphic designs and related intellectual property

All ideas, concepts, techniques, or materials concerning a MENCHIE'S Store, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the system, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent improper disclosure to others and use non-disclosure and non-competition agreements with those having access. We may regulate the form of agreement that you use and will be a third-party beneficiary of that agreement with independent enforcement rights.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The day-to-day operations of your MENCHIE'S business must be managed at all times by you (or your Operating Partner as defined below) or an "Assistant Store Leader" who has satisfactorily completed our training program. Your Assistant Store Leader need not have an equity interest in the business but must agree in writing not to compete against us and to preserve confidential information to which they have access and not to compete with you, us, and other franchisees. We may regulate the form of agreement that you use and be a third-party beneficiary of that agreement with independent enforcement rights. Certain other employees may also be required to enter into an agreement not to compete against MENCHIE'S in similar businesses of other systems while employed by you, and for 12 months thereafter, and an agreement not to reveal confidential information obtained during the course of their employment with you.

You are required to inform us immediately of a change of the Operating Partner or General Manager of your business operation.

You must attend any annual meeting, convention or conference of franchisees and all meetings related to new products or product preparation procedures, new operational procedures or programs, training, management, sales or sales promotion or similar topics that we offer, at your own expense. As of the date of this Disclosure Document, we do not anticipate requiring franchisees to attend meetings for more than 10 days during any calendar year. You are

responsible for all related travel and living expenses associated with attending any additional meetings, conventions or conferences As of the date of this Disclosure Document, the location, duration, frequency and content of any additional meetings, conventions or conferences we require you to attend is unknown and will depend on the frequency with which new products or services are introduced to the System

If you are, or at any time during the term become, a business corporation, partnership, limited liability company, or other legal entity, you must designate an "Operating Partner" Your Operating Partner must be an individual who (a) owns and controls not less than 5% of the equity and voting rights, (b) has completed our initial training program, and (c) has the power and authority to bind you in all dealings with us If you are a corporation, limited liability company, or partnership, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete This "Guaranty and Assumption of Obligations" is included with your Franchise Agreement

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all Menu Items and perform all services that we require for MENCHIE'S Stores You may not offer or sell any products or perform any services that we have not authorized We have the unlimited right to change the required and/or authorized products and services you may offer

You may not offer any delivery service or engage in any catering services without our prior written approval You also may not offer for sale any Menu Items or other products through the Internet or other online programming or marketing You are not otherwise limited in the customers to whom you may sell products or services

Item 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements You should read these provisions in the agreements attached to this Disclosure Document

	Provision	Section in Agreement*	Summary
a	Length of the term of the franchise	Section 4A Sections 2 and 4 and Appendix B to the Multi Unit Agreement	Term is 10 years Term depends on the number of Stores to be developed under the Multi Unit Agreement as specifically set forth in Appendix B

	Provision	Section in Agreement*	Summary
b	Renewal or extension of the term	Section 4B	Renewal for three additional term (s) of 10 years each No renewal rights under the Multi Unit Agreement
c	Requirements for you to renew or extend	Section 4B	You give us written notice of your decision to renew at least 6 months but not more than 12 months before the end of the expiring term, you sign our then current form of franchise agreement, you have complied with the modernization requirements for your Store, you are not in default and have satisfied your obligations on a timely basis, if leasing, you have written proof of your ability to remain in possession of the Store premises throughout the renewal term, you comply with our training requirements, you pay us a renewal fee, and you sign a release If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights
d	Termination by you	Section 13C	You may terminate the Franchise Agreement only for a material breach by us, provided you give us written notice of the breach and allow 30 days to cure such breach
e	Termination by us without cause	Sections 2A and 13B	If you fail to locate a site for your Store within 24 months after signing the Franchise Agreement or you fail to complete our training program within 180 days after commencement, we may terminate the Franchise Agreement
f	Termination by us with cause	Sections 13A and 13B Section 7B of the Multi Unit Agreement	We can terminate the Franchise Agreement and Multi Unit Agreement only if you default or fail to comply with your obligations
g	“Cause” defined - defaults which can be cured	Sections 13A and 13B Section 7B of the Multi Unit Agreement	You have 10 days to cure the non-submission of reports and non-payment of amounts due and owing, and 30 days to cure defaults for the failure to abide by our standards and requirements in connection with the operation of your business, or failure to meet any requirements or specifications established by us, and any other default not listed in (h) below You have 30 days to cure defaults not listed in (h) below

	Provision	Section in Agreement*	Summary
h	“Cause” defined – defaults which cannot be cured	Sections 2A, 5A, 5B, 5D, 9I, 13A, 13B and 15P Section 4C, 7B and 10N of the Multi Unit Agreement	Non-curable defaults include any material misrepresentation or omission in your application for a franchise, abandonment, loss of lease, the failure to timely cure a default under the lease, the loss of your right of possession or failure to relocate, closing of the Store, the closing of the Store by the authorities for health or public safety reasons, unauthorized use of confidential information, your insolvency, unapproved assignments or transfers, defaults that materially impair the goodwill associated with any of the Marks, criminal convictions, intentionally (or unintentionally in two or more occasions) understating or underreporting Gross Sales or other fees, multiple defaults, you employ or seek to employ, directly or indirectly, any person who is at the time or was at any time during the prior 6 months employed in any type of managerial position by us, our affiliates, or by any franchisee in the system, or failure to cure within 24 hours of notice a default which violates any health, safety or sanitation law or regulation or any system standard as to food handling, cleanliness, health or sanitation Non-curable defaults include insolvency or general assignment for the benefit of creditors, appointment of a receiver of your property, a final judgment remains unsatisfied of record for 30 days or longer, execution is levied against your business or property, suit to foreclose any lien or mortgage against your premises or equipment is instituted against you and is not dismissed or in the process of being dismissed within 30 days, failure to meet the Development Schedule, you employ or seek to employ, directly or indirectly, any person who is at the time or was at any time during the prior 6 months employed in any type of managerial position by us, our affiliates, or by any franchisee in the system, or notice of termination of a Franchise Agreement
i	Your obligations on termination/non-renewal	Section 14A-14C Sections 8A-G of the Multi Unit Agreement	Obligations include complete de-identification and payment of amounts due, assignment of lease and telephone numbers upon our demand, return of Operations Manual and confidential information, proprietary materials and related writings, and right to purchase assets of the Store (also see (o) and (r) below) You lose all remaining rights to develop Stores Other obligations include those obligations noted above if existing Franchise Agreements also are terminated We also may have the right to purchase assets of the Stores (see (o) below)
J	Assignment of contract by us	Section 11G Section 9A of the Multi Unit Agreement	No restriction on our right to assign
k	“Transfer” by you – defined	Section 11A Section 9B of the Multi Unit Agreement	Includes any transfer of your interest in the Franchise Agreement or in the business or any ownership change listed in Section 11A of the Franchise Agreement and Section 9B of the Multi Unit Agreement
l	Our approval of transfer by you	Section 11B Section 9B of the Multi Unit Agreement	We have the right to approve all transfers but will not unreasonably withhold approval

	Provision	Section in Agreement*	Summary
m	Conditions for our approval of transfer	Sections 11B-11D	Transferee meets all of our then-current requirements for new franchisees, transfer fee and any applicable training fee paid, all amounts owed by prior franchisee paid, required modernization is completed, training completed, transferee executes then current form of franchise agreement (modified to reflect that agreement relates to a transfer), required guarantees signed, necessary financial reports and other data on franchise business is prepared, release signed by you, full compliance of your obligations under all Franchise Agreements executed between you and us, and other conditions that we may reasonably require from time to time as part of our transfer policies (also see (r) below)
		Section 9B of the Multi Unit Agreement	You cannot transfer rights under the Multi Unit Agreement unless you transfer all of your rights and interests under all Franchise Agreements
n	Our right of first refusal to acquire your business	Section 11F	We can match any offer for your Stores assets and, in the case of a proposed stock sale, we can purchase your Store assets at a price determined by an appraiser, unless you and we agree otherwise
o	Our option to purchase your business	Section 14B	Upon termination, we have the right (but not the obligation) to purchase or designate a third party that will purchase all or any portion of the assets of your Store, including the land, building, equipment, fixtures, signs, furnishings, supplies, leasehold improvements, and inventory Qualified appraiser(s) will determine price as set forth in the Franchise Agreement
p	Your death or disability	Section 11E	You can transfer your franchise rights to your heir or successor in interest like any other transfer, provided the person satisfies our training requirements and other transfer conditions, but if assignee is your spouse or child, no transfer fee is required
q	Non-competition covenants during the term of the franchise	Section 10D	Except as we otherwise agree to in writing, no direct or indirect involvement in the operation of any Competing Business (defined in (r) below) other than the one authorized in the Franchise Agreement
r	Non-competition covenants after the franchise is terminated or expires	Section 10D	No direct or indirect involvement in a Competing Business for 2 years (i) at the premises of the former Store (ii) within 25 miles of the former Store or (iii) within 25 miles of any other business or Store using the System A Competing Business for purposes of the post-term non-compete includes any business where 10% or more of its sales includes the sale of soft-serve frozen yogurt or ice cream
s	Modification of the Agreement	Section 15B	No modifications generally, but we have the right to change the Operations Manual, list of authorized Marks and Menu Items
		Section 10C of the Multi Unit Agreement	
t	Integration/merger clause	Section 15B	Only the terms of the Franchise Agreement are binding (subject to state law) Any representations or promises made outside the Franchise Agreement or this Disclosure Document may not be enforceable
u	Dispute resolution by arbitration or mediation	Section 12	Except for certain claims, all disputes must be mediated or arbitrated in the city closest to where our headquarters are located (currently, Los Angeles, California) (subject to state law)
		Section 10M of the Multi Unit Agreement	

	Provision	Section in Agreement*	Summary
v	Choice of forum	Section 15I Section 10G of the Multi Unit Agreement	Litigation must be in the applicable federal or state court where our headquarters are located (currently, California) (subject to state law)
w	Choice of law	Section 15H Section 10G 1 of the Multi Unit Agreement	Except for claims under federal trademark law, and the parties' rights under the Federal Arbitration Act, the law of the state where the Franchisee's Store is located will govern (subject to state law)

Item 18

PUBLIC FIGURES

We currently do not use any public figure to promote our franchise

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 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.

This Item 19 contains certain historical data relating to the operation of our franchised and company-owned locations. The franchisee data included in this Item 19 was taken from the information reported to us by our franchisees through our electronic point-of-sale system. The franchised and company-owned data included in this Item 19 reflects information for the 53-week annual period from December 30, 2013 to January 4, 2015 (the "Measurement Period"). We have not audited this information, nor independently verified this information.

Section I – Average Gross Sales of Locations Selected Under Real Estate 2 0 Platform

As of December 30, 2013 we had 329 franchised locations operating domestically under the MENCHIE'S trademarks. Of these 329 locations, 264 were open and operating for the entire Measurement Period. 105 of these locations operated from franchised locations that were procured under our Real Estate 2 0 platform.

Section I of this Item 19 includes the average Gross Sales earned by the 102 of the 105 franchised locations that were procured under our Real Estate 2 0 platform. Three franchise locations were excluded due to their operational issues and their inability to follow the

MENCHIE'S System In 2012, we changed our real estate site criteria and changed from working with 3rd party real estate site selection companies to providing this service in-house

The average Gross Sales for our 102 franchised locations during the Measurement Period was \$437,213 Of the 102 locations, 48 (47%) met or exceeded this average

Section II – Company-Owned Gross Sales

Section II of this Item 19 includes the actual Gross Sales earned by our one company-owned location during the Measurement Period We acquired our company-owned location from an existing franchisee in September 2011

The actual Gross Sales for our company-owned location during the Measurement Period was \$652,909

Section III – Average Gross Sales in Los Angeles County

Section III of this Item 19 includes the average Gross Sales earned by 28 of our 29 franchised locations located in Los Angeles County that were in operation during the entire Measurement Period One location was excluded in the Average Gross Sales because of its operational issues and its inability to follow the MENCHIE'S System Los Angeles County contains the greatest number of MENCHIE'S franchised locations in a particular county

	Number of Stores	Average Gross Sales	Number and Percentage of Stores that Attained or Exceeded Average Gross Sales
Los Angeles County	28	\$543,964	14 (50%)

Section IV – Historical Profit & Loss Information

Section IV of this Item 19 includes the actual profit and loss information for five of our 264 franchised locations in operation during the Measurement Period. These five franchised locations were selected because their actual Gross Sales during the Measurement Period were closest to the Average Gross Sales (\$437,213) for the 102 Real Estate 2.0 Platform Locations, included in Section I.

Gross Sales	106.51%
Net Sales	100%
COGS	27.72%
Payroll	19.57%
Rent	12.70%
Marketing Fee	2%
Royalty Fee	6%
Utilities	2.47%
Miscellaneous Expenses	12.03%
Net Operating Income	17.51%

Section IV Notes

1 The information in the table above represents actual figures from the Measurement Period.

2 The Cost of Goods Sold (“COGS”) included in the table above includes the costs associated with purchasing the goods sold for the franchised location and the associated freight costs incurred in shipping the goods sold to the franchised location.

3 Payroll includes the sum of hourly employee wages, federal and state employment tax expenses and workers compensation insurance. Payroll does not include any payments made to the owners of the franchised location in the form of an owner’s draw, a dividend, or other distribution.

4 The Rent Expenses include rental payments and CAM charges.

5 Marketing and Royalties include the marketing and royalty fees the franchised location is required to pay under the terms of its Franchise Agreement.

6 Utilities include electric, gas and water expenses.

7 The Miscellaneous Expenses included in the table above include expenses for accounting fees, security, bank charges, charitable donations, cleaning supplies and services, credit card fees, dues and subscriptions, equipment rental, insurance, legal fees, licenses and permits, office and restaurant supplies, computer system and internet charges, pest control, postage, repairs and maintenance, trash removal and uniforms.

Section V – Average Gross Sales by Region

Section V of this Item 19 includes the average Gross Sales earned by our franchised locations under the 20 Real Estate Platform located in the four largest regions that were in operation during the entire Measurement Period. Note that the Excluded Franchises referenced in Section I of Item 19 are not included in the table below.

Region	State	Number of Stores	Average Gross Sales
Los Angeles County	California	9	\$ 545,122 45
Seattle	Washington	10	470,038 06
Miami	Florida	4	539,168 58
Cleveland	Ohio	8	422,027 84

Additional Notes

Some outlets have earned this amount. Your individual results may differ. There is no assurance you will earn as much.

A new franchisee's individual financial results may differ from the results stated in this financial performance representation.

We have not audited or independently verified the franchisee information included in this Item 19.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting MJ Kwon at 17555 Ventura Boulevard, Suite 200, Encino, CA 91316, telephone 818-708-0316, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20**OUTLETS AND FRANCHISEE INFORMATION**

Table No 1
Systemwide Outlet Summary
For Years 2012–2014

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets*	2012	131	220	+89
	2013	220	280	+60
	2014	280	335	+55
Company-Owned	2012	5	1	-4
	2013	1	1	0
	2014	1	1	0
Total Outlets	2012	136	221	+85
	2013	221	281	+60
	2014	281	336	+55

*As noted in Item 1, in April 2013, all subfranchised agreements between a MENCHIE'S subfranchisee and our affiliate BSD were transferred to us. The information included in Item 20 reflects both our franchisees and subfranchisees.

Table No 2
Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For Years 2012–2014

State	Year	Number of Transfers
California	2012	1
	2013	0
	2014	2
Florida	2012	2
	2013	3
	2014	0
Georgia	2012	1
	2013	0
	2014	1

State	Year	Number of Transfers
Michigan	2012	0
	2013	0
	2014	2
Tennessee	2012	1
	2013	0
	2014	0
Texas	2012	0
	2013	1
	2014	0
TOTAL	2012	5
	2013	4
	2014	5

Table No 3
Status of Franchised Outlets
For Years 2012–2014

State	Year	Outlet at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at the End of the Year
Alabama	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
	2014	1	0	1	0	0	0	0
Alaska	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
Arizona	2012	2	0	0	0	0	0	2
	2013	2	1	1	0	0	0	2
	2014	2	2	0	0	0	0	4
California	2012	23	0	0	0	0	0	23
	2013	23	10	1	0	0	0	32
	2014	32	20	2	0	0	0	50
Colorado	2012	6	5	0	0	0	0	11
	2013	11	1	2	0	0	0	10
	2014	10	0	0	0	0	0	10
Connecticut	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	3	0	0	0	0	3
Florida	2012	25	15	1	0	0	0	39
	2013	39	7	2	0	0	0	44
	2014	44	3	2	0	0	0	45
Georgia	2012	16	2	5	0	0	0	13
	2013	13	4	2	0	0	0	15
	2014	15	3	0	0	0	0	18

State	Year	Outlet at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at the End of the Year
Hawaii	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
Idaho	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	1	0	0	0	0	1
Illinois	2012	1	2	0	0	0	0	3
	2013	3	2	0	0	0	0	5
	2014	5	3	0	0	0	0	8
Indiana	2012	0	2	0	0	0	0	2
	2013	2	2	1	0	0	0	3
	2014	3	1	1	0	0	0	3
Iowa	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	1	0	0	0	0	3
Kentucky	2012	2	2	1	0	0	0	3
	2013	3	0	2	0	0	0	1
	2014	1	0	0	0	0	0	1
Louisiana	2012	5	0	0	0	0	0	5
	2013	5	1	1	0	0	0	5
	2014	5	1	0	0	0	0	6
Maryland	2012	1	3	0	0	0	0	4
	2013	4	4	0	0	0	0	8
	2014	8	2	0	0	0	0	10
Massachusetts	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	1	0	0	0	0	1
Michigan	2012	0	2	0	0	0	0	2
	2013	2	2	0	0	0	0	4
	2014	4	3	0	0	0	0	7
Minnesota	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
	2014	2	0	0	0	0	0	2
Mississippi	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
Missouri	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
Nevada	2012	2	0	1	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1

State	Year	Outlet at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at the End of the Year
New Jersey	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	1	1	0	0	0	1
New Mexico	2012	1	2	0	0	0	0	3
	2013	3	1	0	0	0	0	4
	2014	4	0	0	0	0	0	4
New York	2012	0	3	1	0	0	0	2
	2013	2	5	0	0	0	0	7
	2014	7	1	0	0	0	0	8
North Carolina	2012	2	3	0	0	0	0	5
	2013	5	2	0	0	0	0	7
	2014	7	1	0	0	0	0	8
Ohio	2012	10	11	0	0	0	0	21
	2013	21	4	0	0	0	0	25
	2014	25	1	1	0	0	0	25
Oklahoma	2012	1	1	1	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
Oregon	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	1	0	0	0	0	3
Pennsylvania	2012	0	5	0	0	0	0	5
	2013	5	6	0	0	0	0	11
	2014	11	0	1	0	0	0	10
South Carolina	2012	1	1	0	0	0	0	2
	2013	2	2	2	0	0	0	2
	2014	2	0	1	0	0	0	1
Tennessee	2012	6	3	0	0	0	0	9
	2013	9	0	0	0	0	0	9
	2014	9	1	0	0	0	0	10
Texas	2012	8	5	0	0	0	0	13
	2013	13	9	1	0	0	0	21
	2014	21	6	1	0	0	0	26
Utah	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
	2014	5	1	0	0	0	0	6
Virginia	2012	1	5	1	0	0	0	5
	2013	5	2	1	0	0	0	6
	2014	6	5	3	0	0	0	8

State	Year	Outlet at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at the End of the Year
Washington	2012	6	11	0	0	0	0	17
	2013	17	6	0	0	0	0	23
	2014	23	3	0	0	0	0	26
Wisconsin	2012	0	1	0	0	0	0	1
	2013	1	3	0	0	0	0	4
	2014	4	1	1	0	0	0	4
Total	2012	131	100	11	0	0	0	210
	2013	210	76	16	0	0	0	270
	2014	270	66	15	0	0	0	321

Table No 4
Status of Company-Owned Outlets
For Years 2012-2014

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2012	5	0	0	0	4	1
	2013	1	0	0	0	0	1
	2014	1	0	0	0	0	0
Total	2012	5	0	0	0	4	1
	2013	1	0	0	0	0	1
	2014	1	0	0	0	0	1

Table No 5
Projected Openings as of December 31, 2014

State	Franchise Agreements Signed but Stores not Opened	Projected Franchised New Stores in the Next Fiscal Year	Projected Company-Owned Openings in Next Fiscal Year
Alabama	1	1	0
Alaska	0	1	0
Arizona	14	7	0
Arkansas	4	2	0
California	110	30	0
Colorado	14	2	0
Connecticut	2	2	0
District of Columbia	1	1	0
Florida	42	12	0
Georgia	14	8	0
Hawaii	1	2	0
Idaho	1	1	0
Illinois	11	5	0
Iowa	2	1	0

State	Franchise Agreements Signed but Stores not Opened	Projected Franchised New Stores in the Next Fiscal Year	Projected Company-Owned Openings in Next Fiscal Year
Kansas	7	4	0
Kentucky	5	1	0
Louisiana	0	2	0
Maryland	10	2	0
Massachusetts	6	2	0
Michigan	26	10	0
Minnesota	14	2	0
Mississippi	1	1	0
Missouri	4	4	0
Montana	1	1	0
Nebraska	16	2	0
Nevada	6	4	0
New Jersey	9	2	0
New Mexico	3	6	0
New York	14	0	0
Ohio	1	2	0
Oregon	2	3	0
Pennsylvania	9	0	0
Rhode Island	0	1	0
South Carolina	1	1	0
Tennessee	3	1	0
Texas	80	35	0
Utah	2	2	0
Virginia	8	2	0
Washington	24	5	0
Wisconsin	5	2	0
West Virginia	1	0	0
Total	474	171	0

Attached as Exhibit I is a list of our current franchisees and subfranchisees. Exhibit I also includes a list of the Franchisees and Subfranchisees who have ceased to do business under the Franchise Agreement or Subfranchise Agreement or had an outlet terminated, canceled, not renewed within the last fiscal year or who have not communicated with us, within the last ten weeks. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, some of our franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the MENCHIE'S franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. We have not created, sponsored or endorsed any trademark-specific franchisee associations.

Item 21

FINANCIAL STATEMENTS

Attached and identified as Exhibit B are the audited financial statements of Menchie's Group, Inc., for the years ending December 31, 2012, 2013 and 2014.

Item 22

CONTRACTS

The following documents are attached as exhibits to this Disclosure Document:

Exhibit C Franchise Agreement with Schedules

Exhibit D Multi Unit Agreement

Exhibit G State Addenda

Exhibit H General Release

Item 23

RECEIPTS

Attached to this Disclosure Document as Exhibit I is a detachable acknowledgment of receipt.

Exhibit A

LIST OF AGENTS FOR SERVICE OF PROCESS & STATE ADMINISTRATORS

CALIFORNIA

California Commissioner of Business Oversight
Department of Business Oversight
State of California
320 West 4th Street, Suite 750
Los Angeles, California 90013-1105
Telephone 1-866-275-2677

State Authority

Office of the Attorney General
Securities Division
200 St Paul Place
Baltimore, Maryland 21202

HAWAII

Commissioner of Securities of the State of Hawaii
335 Merchant Street
Room 203
Honolulu, HI 96813

MICHIGAN

Consumer Protection Division
Attn Franchise
G Mennen Williams Building, First Floor
525 West Ottawa Street
Lansing, MI 48909

ILLINOIS

Attorney General State of Illinois
500 South Second Street
Springfield, Illinois 62706

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East
Suite 500
St Paul, Minnesota 55101

INDIANA

Agent for Service of Process
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

NEW YORK

Agent to Receive Process
Secretary of State
State of New York
41 State Street
Albany, New York 12231

State Administrator

Securities Commissioner
Indiana Securities Division
302 West Washington, Room E-111
Indianapolis, Indiana 46204

State Administrator

New York State Department of Law
Bureau of Investor Protection and Securities
120 Broadway, 23rd Floor
New York, New York 10271

MARYLAND

Agent to Receive Process
Securities Commissioner
Division of Securities
200 St Paul Place
Baltimore, Maryland 21202-2020

NORTH DAKOTA

North Dakota Securities Department
State Capital, 5th Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505
Telephone (701) 328-4712

RHODE ISLAND

Rhode Island Department of Business
Regulation
Securities Section
1511 Pontiac Avenue
John O Pastore Center
Building 69-1
Cranston, RI 02920

SOUTH DAKOTA

Department of Labor & Regulation
Division of Securities
124 S Euclid, Suite 104
Pierre, SD 57501

VIRGINIA

Agent to Receive Process
Clerk of the State Corporation Commission
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

State Administrator

State Corporation Commission
Division of Securities and Retail Franchise
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Director
Department of Financial Institutions
Securities Division
150 Israel Rd S W
Tumwater, WA 98501

WISCONSIN

Division of Securities
Department of Financial Institutions
201 W Washington Avenue, Suite 300
Madison, Wisconsin 53703

Exhibit B
FINANCIAL STATEMENTS

MENCHIE'S GROUP, INC

FINANCIAL STATEMENTS

DECEMBER 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Menchie's Group, Inc

We have audited the accompanying financial statements of Menchie's Group Inc (a California corporation), which comprise the balance sheet as of December 31, 2014, and the related statements of income and retained earnings, 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 financial statements that are free from material misstatement whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit We conducted our audit in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement on 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 Menchie's Group Inc as of December 31 2014, 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



Sher | Gelb
An Accountancy Corporation
Sherman Oaks, CA

MENCHIE'S GROUP, INC
BALANCE SHEET
December 31, 2014

ASSETS

CURRENT ASSETS

Cash & cash equivalents	\$ 1,481,678
Accounts receivable	175,826
Inventory	1,051,583
Employee advances	7,252
Prepaid expenses	221,356
Notes receivable, current	33,182
Notes receivable, current	24,944
Portfolio investment	<u>4,503,185</u>
TOTAL CURRENT ASSETS	7,499,006

FIXED ASSETS

Property and equipment, net	1,352,366
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OTHER ASSETS

Deferred franchise costs	296,760
Trademarks	255,991
Security deposits	30,824
Other assets	57,177
Notes receivable-non current	<u>1,551,674</u>
\$ 11,043,798	

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 327,771
Accrued expenses	24,380
Credit cards payable	12,333
International franchise pool	124,045
International franchise security deposit	100,000
Gift cards outstanding	2,105,495
Franchise deposits, current portion	930,441
Current maturities of long-term debt	47,422
Other current liabilities	<u>103,657</u>
TOTAL CURRENT LIABILITIES	3,775,544

OTHER LIABILITIES

Franchise deposits, net of current portion	7,096,945
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LONG-TERM DEBT

142,264

MENCHIE'S GROUP, INC
BALANCE SHEET (continued)
December 31, 2014

STOCKHOLDERS' EQUITY

Common stock, no par value, 100,000 shares authorized, 2,000 shares issued and outstanding	14,100
Retained earnings	14,945
	<u>\$ 11,043,798</u>

See accompanying notes to financial statements

MENCHIE'S GROUP, INC
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Year Ended December 31, 2014

INCOME	\$ 23,221,361
COST OF SALES	<u>3,325,761</u>
GROSS PROFIT	19,895,600
EXPENSES (INCOME)	
Advertising & promotion	492,249
Automobile expenses	54,111
Bank service charges	81,662
Depreciation & amortization	213,752
Dues & subscriptions	5,639
Education	14,531
Employee benefits	104,533
Financial programs	671,516
Franchise development	6,227,554
General and administrative	538,640
Guaranteed payments	15,000
Human resources	87,425
Insurance	359,065
IT department	123,547
Legal	224,047
Menchie's University expenses	68,165
Miscellaneous	18,960
Office supplies & expenses	157,783
Parking	50,341
Payroll taxes	430,326
Postage	13,183
Printing & reproduction	6,355
Professional fees	509,744
Quality assurance	230,993
Real estate & development	227,163
Rent	338,208
Research & development	135,116
Salaries & wages-office and officers	7,302,028
Taxes	221,275
Telephone	78,462
Travel & entertainment	130,306

See accompanying notes to financial statements

MENCHIE'S GROUP, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS (continued)
For the Year Ended December 31, 2014

Uncollectible receivables	19,850
Website costs	82,656
(Other income)	(11,535)
(Interest income)	(44,613)
(Dividend income)	(43,427)
(Gain)/Loss on disposal of assets	198,815
(Gain)/Loss on value of investments	92,694
Total Operating Expenses	<u>19,426,119</u>
 Income before provision for income taxes	 469,481
 Provision for income taxes	 <u>42,000</u>
 Net Income	 427,481
 Retained earnings, beginning of year	 587,464
 Dividends	 <u>(1,000,000)</u>
 Retained earnings, end of year	 <u>\$ 14,945</u>

See accompanying notes to financial statements

MENCHIE'S GROUP, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 427,481
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation & amortization	213,752
(Gain) loss on disposal of assets	198,815
(Gain) loss in realized and unrealized value of investments	92,694
Adjustment to cost of prior years fixed assets	36,667
(AIncrease) Decrease in	
Accounts receivable	(15,834)
Inventory	338,076
Prepaid expenses	(221,356)
Employee advances	9,946
Deferred franchise costs	(47,703)
(Decrease) Increase in	
Accounts payable	173,063
Accrued expenses	24,380
Credit cards payable	(42,458)
International franchise pool	21,625
International franchise security deposit	100,000
Gift cards outstanding	524,303
Franchise deposits	419,497
Payroll payable	(187,324)
Income taxes payable	(80,391)
Other current liabilities	31,355
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,016,588

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds-store	100,001
Purchases of portfolio investment	(5,695,309)
Proceeds from maturities and sales of investments	1,099,430
Purchase of assets	(298,817)
NET CASH (USED) BY INVESTING ACTIVITIES	(4,794,695)

MENCHIE'S GROUP, INC.
STATEMENT OF CASH FLOWS (continued)
For the Year Ended December 31, 2014

CASH FLOWS FROM FINANCING ACTIVITIES

Notes receivable	123,479
Notes receivable	(252,812)
Long term debt financings	189,686
Dividends	(1,000,000)
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(939,647)</u>

NET (DECREASE) IN CASH (3,717,754)

CASH & CASH EQUIVALENTS, BEGINNING OF YEAR 5,199,432

CASH & CASH EQUIVALENTS, END OF YEAR \$ 1,481,678

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for

Interest	\$	0
Income taxes	\$	74,218

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Menchie's Group, Inc (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 the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

Menchie's Group, Inc is a franchisor of retail soft serve frozen desserts. The Company provides initial and ongoing support to its franchisees and recruits, consults and trains qualified franchisees to develop and open Menchie's frozen yogurt locations based on the guidelines and criteria of the franchisor Menchie's Group Inc business practices and standards. The Company was incorporated on January 2, 2008, in the State of California.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. At times, cash and cash equivalent balances may be in excess of federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk relative to its cash accounts.

Inventory

Inventory is stated at the lower of cost, using the average cost method, or net realizable value (market). Inventory consists of supplies, company specific apparel, and sundry items.

Depreciation

The company's property and equipment are depreciated using primarily the straight-line method over the estimated useful lives of the assets of 5 to 7 years. Leasehold improvements are amortized over 15 years. Maintenance and repairs are charged to expense as incurred, major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Intangible assets subject to amortization include legal agreements and website development costs. Legal agreements are being amortized over 5 years, the same amount of time as revenue is being recognized. Website development is being amortized over 3 years, similar to the IRS position on software. As of December 31, 2014, all intangible assets have been fully amortized.

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The provision for taxes on income is based on income reported for financial statement purposes. Certain expense items are reported in different periods for financial reporting and for tax purposes. The tax effects of these timing differences are not material to the accompanying financial statements. Provision for federal and state taxes on income consists of:

Federal	\$ 35,000
State	7,000
	<u>\$ 42,000</u>

FASB ASC 740, Income Taxes (formerly Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109 ("FIN 48")) clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The FASB Accounting Standards Codification prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. The Company believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that would require recognition or disclosure at December 31, 2014. The company believes that there are no years that remain open and are subject to examination by jurisdiction prior to 2010 and 2009 for federal and state, respectively.

Subsequent Events

Management has evaluated subsequent events through April 23, 2015, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 consists of the following:

Computers & equipment	\$ 305,001
Computer software	25,831
Furniture & fixtures	285,529
Leasehold improvements	1,247,081
Other property	<u>49,542</u>
	<u>1,912,984</u>
Less Accumulated depreciation	(560,618)
	<u>\$ 1,352,366</u>

MENCHIE'S GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 – RELATED PARTY TRANSACTIONS

As of December 31 2014, the Company has three notes receivable from affiliates in the total amount of \$451,094 These notes receivable are unsecured, bear interest at various rates from 2 5%-4 5% per annum, and are due at various dates through April 2040

The Company also has notes receivable from shareholders in the total amount of \$1,158,706 These notes are unsecured and bear interest at 2 5% per annum One of the notes is due in July 2027 The other note calls for interest only payments monthly with a single balloon payment in November 2017

Notes receivable current and noncurrent portions at December 31, 2014 are

Notes receivable	\$ 1,609,800
Less current portion	<u>(58,126)</u>
	<u>\$ 1,551,674</u>

NOTE 4 – TRADEMARKS

FASB ASC 350, *Goodwill and Other Intangible Assets* (formerly Statement of Financial Accounting Standards No 142) notes that purchased intangible assets other than goodwill will be amortized over their useful lives unless these lives are determined to be indefinite Certain trademarks have been assigned an indefinite life as it is currently anticipated that these trademarks will contribute cash flows to the Company indefinitely Indefinite-lived intangible assets are not amortized, but are evaluated at each reporting period to determine whether the indefinite useful life is appropriate Management believes that at December 31, 2014, no impairment in value of the trademarks had occurred and that the indefinite useful life is appropriate

NOTE 5 – LEASE COMMITMENTS

The Company leases its office space, Menchie's University Store, and various office equipment under operating leases expiring at various dates through March 2033 The premises lease agreements includes an allowance for expenses and require the Company to pay for a portion of maintenance and utilities The lease agreements also include an allotment of parking spaces

At December 31, 2014, the future minimum lease payments required under these operating leases with initial or remaining terms in excess of one year are as follows

<u>Years Ending December 31</u>	
2015	\$ 546,931
2016	535,794
2017	525,311
2018	525,311
2019	532,239
Thereafter	<u>5,226,636</u>
	<u>\$ 7,892,222</u>

Total rent expense for the year ended December 31, 2014 was \$338,208

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 6 – FRANCHISE DEPOSITS/REVENUE RECOGNITION

FASB ASC 952, *Franchisors* (formerly Statement of Financial Accounting Standards No 45, Accounting for Franchise Fee Revenue) establishes specialized accounting and reporting standards for franchisors. The standards require that franchise fee revenue from franchise sales be recognized only when material services have been substantially performed or satisfied by the franchisor. Of the total income earned during 2014, the Company received \$8,962,427 in franchise fees and franchise rights. Based on management's representation and guidance from FASB ASC 952, management determined that franchise fees and rights should be recognized using two different methods.

Domestic franchise fees and rights should be recognized over a five year term in the following percentages

<u>Accounting Year</u>	<u>Percentage of franchise fee recognized</u>
Year 1 (year fees received)	62 68%
Year 2	9 33%
Year 3	9 33%
Year 4	9 33%
Year 5	9 33%

International franchise fees and rights should be recognized over a three year term in the following percentages

<u>Accounting Year</u>	<u>Percentage of franchise fee recognized</u>
Year 1 (year fees received)	50 0%
Year 2	25 0%
Year 3	25 0%

At December 31, 2014 the amount of franchise deposits (deferred franchise revenue) was \$8,027,386. Associated expenses of \$296,760 relating to this deferred franchise fee revenue have also been included on the balance sheet and classified as deferred franchise costs. The method of revenue recognition is consistent with that used in the prior year.

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 7 – INVESTMENTS

The Company investments consist primarily of municipal bonds and notes, U S Treasury notes, other U S government securities, common stocks and mutual funds. Investments are stated at fair value as of December 31, 2014

	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
Government and corporate debt obligations	\$ 1,189,352	\$ 1,197,353	\$ 8,001
Mutual funds	1,954,866	1,881,814	(73,052)
Common stocks	479,390	499,105	19,715
Complementary strategies	464,010	452,369	(11,641)
Real assets	489,412	472,544	(16,868)
	<u>\$ 4,577,030</u>	<u>\$ 4,503,185</u>	<u>\$ (73,845)</u>

NOTE 8 – FAIR VALUE MEASUREMENTS

Fair value is determined based on assumptions that a market participant would use in pricing an asset or liability. Measurements of fair value are classified within a hierarchy based upon valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in active markets,
- Inputs other than quoted prices that are observable for the asset or liability,
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable or substantially the full term of the asset or liability

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Government and corporate debt obligations Valued at the closing price reported on the active or observable market on which the individual securities are traded

Mutual funds Valued at the net asset value of shares held by the Company at year end

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 8 – FAIR VALUE MEASUREMENTS (continued)

Common stocks Valued at the closing price reported on the active market on which the individual securities are traded

Complementary strategies/Real assets Valued at fair value at year end

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, with the fair value hierarchy, the Company's investment assets at fair value

	Fair Value Measurements Using				Total
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
At December 31, 2014					
Government and corporate debt obligations	\$ 1,197,353	–	–	– \$ 1,197,353	
Mutual funds					
Domestic fixed income funds	299,981	–	–	–	299,981
International fixed income funds	560,139	–	–	–	560,139
Domestic equity funds	538,496	–	–	–	538,496
International equity funds	483,198	–	–	–	483,198
Common stocks	499,105	–	–	–	499,105
Complementary strategies	452,369	–	–	–	452,369
Real assets	472,544	–	–	–	472,544
Total at fair value	\$ 4,503,185	–	–	– \$ 4,503,185	

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 9 – LONG-TERM DEBT

The company has a loan payable in the amount of \$189,686 Terms of the loan payable include four equal payment installments of approximately \$47,422 to be paid annually on January 1st Final payment is due on January 15, 2018 The loan is unsecured and bears no interest. Following are maturities of long-term debt for each of the next five years

<u>Years Ending December 31.</u>	
2015	\$ 47,422
2016	47,422
2017	47,422
2018	47,420
2019	0
	<u>189,686</u>
Less Current maturities of long-term debt	<u>(47,422)</u>
	\$ <u>142,264</u>

MENCHIE'S GROUP, INC
FINANCIAL STATEMENTS
DECEMBER 31, 2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Menchie's Group, Inc

We have audited the accompanying financial statements of Menchie's Group, Inc (a California corporation), which comprise the balance sheet as of December 31 2013, and the related statements of income and retained earnings, 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 financial statements that are free from material misstatement whether due to fraud or error

Auditor's Responsibility

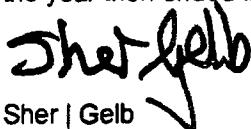
Our responsibility is to express an opinion on these financial statements based on our audit We conducted our audit in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement on 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 Menchie's Group, Inc as of December 31, 2013, 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



Sher | Gelb
An Accountancy Corporation
Sherman Oaks CA

March 28, 2014

MENCHIE'S GROUP, INC
BALANCE SHEET
December 31, 2013

ASSETS

CURRENT ASSETS

Cash	\$ 5,199,432
Accounts receivable	159,992
Inventory	1,389,659
Employee advances	17,198
Notes receivable-affiliates, current	81,985
Notes receivable-shareholders, current	<u>19,434</u>
TOTAL CURRENT ASSETS	6,867,700

FIXED ASSETS

Property and equipment, net	1,592,401
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OTHER ASSETS

Deferred franchise costs	249,057
Trademarks	255,991
Security deposits	30,824
Other assets	57,179
Notes receivable-non current	1,379,048
Website development, net of accumulated amortization of \$51,918	<u>10,383</u>
\$ 10,442,583	

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 154,710
Credit cards payable	54,791
International franchise pool	102,420
Gift cards outstanding	1,581,192
Franchisee deposits, current portion	988,074
Payroll payable	187,324
Income taxes payable	80,391
Other current liabilities	<u>72,302</u>
TOTAL CURRENT LIABILITIES	3,221,204

See accompanying notes to financial statements

MENCHIE'S GROUP, INC
BALANCE SHEET (continued)
December 31, 2013

OTHER LIABILITIES

Franchisee deposits, net of current portion	<u>6,619,815</u>
	6,619,815

STOCKHOLDERS' EQUITY

Common stock, no par value, 100,000 shares authorized, 2,000 shares issued and outstanding	14,100
Retained earnings	<u>587,464</u>
	\$ <u>10,442,583</u>

MENCHIE'S GROUP, INC
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Year Ended December 31, 2013

INCOME	\$ 23,522,936
COST OF SALES	4,759,063
GROSS PROFIT	18,763,873
EXPENSES (INCOME)	
Advertising & promotion	403,633
Automobile expenses	66,721
Bank service charges	37,968
Depreciation & amortization	225,781
Dues & subscriptions	2,315
Education	1,044
Employee benefits	39,573
Financial programs	208,922
Franchise development & placements	6,356,961
General and administrative	428,692
Guaranteed payments	130,000
Human resources	66,384
Insurance	332,986
Impairment loss	340,000
Interest	35,411
IT department	83,882
Leased team members	253,735
Legal fees	501,982
Office supplies & expenses	248,014
Parking	60,684
Payroll taxes	435,956
Postage	29,687
Printing & reproduction	10,755
Professional fees	326,048
Quality assurance	267,375
Real estate & development	225,868
Rent	432,330
Research & development	39,469
Returns & allowances	228,745
Salaries & wages-office	4,657,529
Salaries & wages-officers	1,445,000
Taxes	75,810
Telephone	96,942
Travel & entertainment	116,713

MENCHIE'S GROUP, INC
STATEMENT OF INCOME AND RETAINED EARNINGS (continued)
For the Year Ended December 31, 2013

Uncollectible receivables	124,649
Website costs	75,580
(Other income)	(26,516)
(Interest income)	(18,052)
Total Operating Expenses	<u>18,368,576</u>
 Income before provision for income taxes	 395,297
 Provision for income taxes	 <u>148,117</u>
 Net Income	 247,180
 Retained earnings, beginning of year—as previously reported	 1,217,640
Adjustment	
Excess of liabilities over assets received from business combination	<u>(877,356)</u>
 Retained earnings, beginning of year—as adjusted	 <u>340,284</u>
 Retained earnings, end of year	 \$ <u>587,464</u>

See accompanying notes to financial statements

MENCHIE'S GROUP, INC
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 247,180
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation & amortization	225,781
Impairment loss	340,000
Write-off of legal agreements asset, net book value	87,203
Excess of liabilities over assets received from business combination	(877,356)
(Increase) Decrease in	
Accounts receivable	623,819
Inventory	(598,827)
Prepays and other assets	130,087
Employee advances	3,556
Deferred franchise costs	93,118
Trademarks	(67,171)
Security deposits	(9,878)
Other assets	(4,700)
Franchising assets	(340,000)
(Decrease) Increase in	
Accounts payable	(596,476)
Credit cards payable	659
International franchise pool	102,420
Gift cards outstanding	735,552
Franchisee deposits	2,424,108
Payroll payable	(5,255)
Payroll taxes payable	(4,849)
Sales tax payable	(10,382)
Income taxes payable	(76,301)
Other current liabilities	(30,529)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,391,759</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Property & equipment	<u>(787,581)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(787,581)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Notes receivable-affiliates	(162,436)
Notes receivable-shareholders	(588,915)
Long term debt financings	<u>(564,221)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(1,315,572)</u>

See accompanying notes to financial statements

MENCHIE'S GROUP, INC
STATEMENT OF CASH FLOWS (continued)
For the Year Ended December 31, 2013

NET INCREASE IN CASH	288,606
CASH BALANCE AT BEGINNING OF YEAR	<u>4,910,826</u>
CASH BALANCE AT END OF YEAR	\$ <u>5,199,432</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for

Interest	\$ 35,411
Income taxes	\$ 166 833

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Menchie's Group, Inc (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 the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

Menchie's Group, Inc is a franchisor of retail soft serve frozen desserts. The Company provides initial and ongoing support to its franchisees and recruits, consults and trains qualified franchisees to develop and open Menchie's frozen yogurt locations based on the guidelines and criteria of the franchisor Menchie's Group Inc business practices and standards. The Company was incorporated on January 2, 2008, in the state of California.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Inventory

Inventory is stated at the lower of cost, using the average cost method, or net realizable value (market). Inventory consists of supplies, company specific apparel, and sundry items.

Depreciation

The company's property and equipment are depreciated using primarily the straight-line method over the estimated useful lives of the assets of 5 to 7 years. Maintenance and repairs are charged to expense as incurred, major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Intangible assets subject to amortization include legal agreements and website development costs. Legal agreements are being amortized over 5 years, the same amount of time as revenue is being recognized. Website development is being amortized over 3 years, similar to the IRS position on software.

Income Taxes

The provision for taxes on income is based on income reported for financial statement purposes. Certain expense items are reported in different periods for financial reporting and for tax purposes. The tax effects of these timing differences are not material to the accompanying financial statements. Provision for federal and state taxes on income consists of:

Federal	\$	84,681
State		63,436
	\$	<u>148,117</u>

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FASB ASC 740, *Income Taxes* (formerly Interpretation No 48 Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109 ("FIN 48")) clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The FASB Accounting Standards Codification prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. The adoption of FASB ASC 740 did not have a material effect on the Company.

FASB ASC 805, *Business Combinations* requires that an entity disclose certain items for each business combination that occurs during the reporting period. Information that requires disclosure includes name of the acquiree, acquisition date, percentage of equity interests acquired, and the primary reason for the business combination (see Note 7).

Subsequent Events

Management has evaluated subsequent events through March 28, 2014 the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 consists of the following

Computers & equipment	\$ 305,001
Computer software	25,831
Furniture & fixtures	285,529
Leasehold improvements	1,282,096
Other property	51,193
	<hr/>
Less Accumulated depreciation	1,949,650
	<hr/>
	(357,249)
	<hr/>
	\$ 1,592,401

NOTE 3 – RELATED PARTY TRANSACTIONS

As of December 31 2013, the Company has five notes receivable from affiliated companies in the total amount of \$574,573. These notes receivable are unsecured, bear interest at various rates from 2.5%-4.5% per annum and are due at various dates through December 2028.

The Company also has notes receivable from two of its shareholders in the total amount of \$905,894. These notes are unsecured and bear interest at 2.5% per annum. One of the notes is due in July 2027. The other note calls for interest only payments monthly with a single balloon payment in September 2015. Notes receivable current and noncurrent portions at 12/31/13 are

Notes receivable	\$ 1,480,467
Less current portion	(101,419)
	<hr/>
	\$ 1,379,048

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 – TRADEMARKS

FASB ASC 350 *Goodwill and Other Intangible Assets* (formerly Statement of Financial Accounting Standards No 142) notes that purchased intangible assets other than goodwill will be amortized over their useful lives unless these lives are determined to be indefinite. Certain trademarks have been assigned an indefinite life as it is currently anticipated that these trademarks will contribute cash flows to the Company indefinitely. Indefinite-lived intangible assets are not amortized, but are evaluated at each reporting period to determine whether the indefinite useful life is appropriate. Management believes that at December 31, 2013, no impairment in value of the trademarks had occurred and that the indefinite useful life is appropriate.

NOTE 5 – LEASE COMMITMENTS

During 2013, the Company moved its corporate headquarters and offices due to expansion of its business. The Company leases its office space and some office equipment under operating leases expiring at various dates through March 2033. The premises lease agreement requires the Company to pay for a portion of maintenance and utilities. The lease agreement also includes an allotment of parking spaces.

At December 31, 2013 the future minimum lease payments required under the operating leases with initial or remaining terms in excess of one year is as follows:

<u>Years Ending December 31,</u>	
2014	\$ 454,405
2015	329,475
2016	318,386
2017	307,903
2018	307,903
Thereafter	4,771,253
	\$ 6,489,325

Total rent expense for the year ended December 31, 2013 was \$432,330

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 6 – FRANCHISEE DEPOSITS/REVENUE RECOGNITION

FASB ASC 952, *Franchisors* (formerly Statement of Financial Accounting Standards No 45, Accounting for Franchise Fee Revenue) establishes specialized accounting and reporting standards for franchisors. The standards require that franchise fee revenue from franchise sales be recognized only when material services have been substantially performed or satisfied by the franchisor. Of the total income earned during 2013, the Company received \$9 699,025 in franchise fees and franchise rights. Based on management's representation and guidance from FASB ASC 952, management determined that franchise fees and rights should be recognized using two different methods.

Domestic franchise fees and rights should be recognized over a five year term in the following percentages

<u>Accounting Year</u>	<u>Percentage of franchise fee recognized</u>
Year 1 (year fees received)	62 68%
Year 2	9 33%
Year 3	9 33%
Year 4	9 33%
Year 5	9 33%

International franchise fees and rights should be recognized over a three year term in the following percentages

<u>Accounting Year</u>	<u>Percentage of franchise fee recognized</u>
Year 1 (year fees received)	50 0%
Year 2	25 0%
Year 3	25 0%

At December 31, 2013, the amount of franchisee deposits (deferred franchise revenue) was \$7 607,889. Associated expenses of \$249 057 relating to this deferred franchise fee revenue have also been included on the balance sheet and classified as deferred franchise costs. The method of revenue recognition is consistent with that used in the prior year.

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 – BUSINESS COMBINATION

On January 1, 2013, the Company received certain assets and assumed certain liabilities of its affiliated company BSD USA, LLC. All assets, liabilities, and equity of both companies were combined in these financial statements. The fair value of assets received and liabilities assumed was as follows:

Cash	\$	(36,865)
Inventory		528 205
Franchise assets		340,000
Deferred franchise costs		210 414
Other assets		86,549
Deferred franchise fees		(781 350)
Net income		<u>(1,224,309)</u>
 Excess of liabilities over assets received from business combination	 \$	 <u>877 356</u>

This business combination was completed in an exchange for a percentage of the voting equity interests in the Company. According to Management, the main purpose of this combination was to simplify operations and accounting into one larger entity.

At December 31, 2013, Management determined that Franchise assets noted above of \$340 000 had no future value. As such, this asset has been written off in full as an impairment loss on the statement of income and retained earnings.

MENCHIE'S GROUP, INC

FINANCIAL STATEMENTS

DECEMBER 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Menchie's Group Inc

We have audited the accompanying financial statements of Menchie's Group Inc (a California corporation) which comprise the balance sheet as of December 31, 2012 and the related statements of income and retained earnings 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 financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit We conducted our audit in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

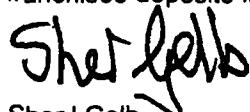
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement on the financial statements, whether due to fraud or 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 Menchie's Group Inc as of December 31, 2012 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

These financial statements were reissued on May 2 2013 to reflect the correct allocation of current and noncurrent franchisee deposits liability as of December 31 2012



Sher | Gelb
An Accountancy Corporation
Sherman Oaks, CA

March 31, 2013

MENCHIE'S GROUP, INC**BALANCE SHEET****December 31, 2012****ASSETS****CURRENT ASSETS**

Cash	\$ 4,910,826
Accounts receivable	783,811
Inventory	790,832
Prepays and other assets	130,087
Employee advances	20,754
Notes receivable-affiliates, current	66,795
Note receivable-shareholder, current	<u>13,728</u>
TOTAL CURRENT ASSETS	6,716,833

FIXED ASSETS

Property and equipment, net	979,897
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OTHER ASSETS

Deferred franchise costs	342,175
Trademarks	188,820
Deposits-store equipment	20,946
Other assets	52,479
Notes receivable-non current	648,593
Legal agreements, net of accumulated amortization of \$32,548	117,140
Website development, net of accumulated amortization of \$31,151	<u>31,150</u>
\$ 9,098,033	

LIABILITIES AND STOCKHOLDERS' EQUITY**CURRENT LIABILITIES**

Accounts payable	\$ 751,186
Credit cards payable	54,132
Gift cards outstanding	845,640
Franchisee deposits, current portion	825,913
Payroll payable	192,579
Payroll taxes payable	4,849
Sales tax payable	10,382
Income taxes payable	156,692
Long-term debt, current portion	264,136
Other current liabilities	<u>102,831</u>
TOTAL CURRENT LIABILITIES	3,208,340

See accompanying notes to financial statements

MENCHIE'S GROUP, INC
BALANCE SHEET (continued)
December 31, 2012

LONG-TERM DEBT, net of current portion	300,085
OTHER LIABILITIES	
Franchisee deposits, net of current portion	4,357,868
TOTAL LIABILITIES	7,866,293
STOCKHOLDERS' EQUITY	
Common stock, no par value, 100,000 shares authorized, 2,000 shares issued and outstanding	14,100
Retained earnings	1,217,640
	\$ 9,098,033

See accompanying notes to financial statements

MENCHIE'S GROUP, INC
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Year Ended December 31, 2012

INCOME	\$ 16,556,617
COST OF SALES	3,300,415
GROSS PROFIT	13,256,202
EXPENSES (INCOME)	
Advertising & promotion	248,937
Automobile expenses	39,744
Bad debts	37,367
Bank service charges	14,512
Depreciation & amortization	170,218
Discounts	10,000
Dues & subscriptions	13,981
Education	175,339
Employee benefits	270,445
Financial programs	27,998
Franchise development	3,871,160
Human resources	281,798
Insurance	293,190
Interest	28,718
Leased employees	277,492
Legal fees	199,474
Marketing	279,781
Menchie's University expenses	367,551
Miscellaneous	34,049
Office supplies & expenses	225,259
Outside services	2,750
Parking	56,959
Payroll taxes	328,796
Postage	32,608
Printing & reproduction	42,534
Professional development	318,208
Professional fees	768,931
Rent	272,693
Research & development	132,526
Salaries & wages-office	3,208,994
Salaries & wages-officers	467,400
Shipping & handling	10,339

See accompanying notes to financial statements

MENCHIE'S GROUP, INC
STATEMENT OF INCOME AND RETAINED EARNINGS (continued)
For the Year Ended December 31, 2012

Taxes	98,007
Telephone	99,674
Travel & entertainment	2,087
(Interest income)	(38,592)
Total Operating Expenses	<u>12,670,927</u>
 Income before provision for income taxes	 585,275
Provision for income taxes	<u>209,892</u>
Net Income	375,383
Retained earnings, beginning of year	<u>842,257</u>
Retained earnings, end of year	\$ <u>1,217,640</u>

See accompanying notes to financial statements

MENCHIE'S GROUP, INC
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 375,383
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation & amortization	170,218
(Increase) Decrease in	
Accounts receivable	30,705
Inventory	(319,913)
Prepads and other assets	49,710
Employee advances	(20,754)
Deferred franchise costs	(56,147)
Trademarks	(111,173)
Deposits-store equipment	38,284
Other assets	1,633
Legal agreements	(61,793)
(Decrease) Increase in	
Accounts payable	574,887
Credit cards payable	(50,268)
Gift cards outstanding	703,976
Franchisee deposits	2,259,932
Payroll payable	81,218
Payroll taxes payable	3,782
Sales tax payable	1,690
Income taxes payable	71,519
Other current liabilities	85,717
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,828,606</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Property & equipment	<u>(396,048)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(396,048)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Loan payable-shareholder	(12,064)
Notes receivable	(81,783)
Long term debt financings	(231,510)
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(325,357)</u>

MENCHIE'S GROUP, INC
STATEMENT OF CASH FLOWS (continued)
For the Year Ended December 31, 2012

NET INCREASE IN CASH	3,107,201
CASH BALANCE AT BEGINNING OF YEAR	<u>1,803,625</u>
CASH BALANCE AT END OF YEAR	\$ <u>4,910,826</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for

Interest	\$	0
Income taxes	\$	153 210

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Menchie's Group, Inc (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 the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

Menchie's Group Inc is a franchisor of retail soft serve frozen desserts. The Company provides initial and ongoing support to its franchisees and recruits, consults and trains qualified franchisees to develop and open Menchie's frozen yogurt locations based on the guidelines and criteria of the franchisor. Menchie's Group Inc business practices and standards. The Company was incorporated on January 2, 2008 in the state of California.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Inventory

Inventory is stated at the lower of cost using the average cost method or net realizable value (market). Inventory consists of cups, company specific apparel, and sundry items.

Depreciation

The company's property and equipment are depreciated using primarily the straight-line method over the estimated useful lives of the assets of 5 to 7 years. Maintenance and repairs are charged to expense as incurred, major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Intangible assets subject to amortization include legal agreements and website development costs. Legal agreements are being amortized over 5 years the same amount of time as revenue is being recognized. Website development is being amortized over 3 years, similar to the IRS position on software.

Income Taxes

The provision for taxes on income is based on income reported for financial statement purposes. Certain expense items are reported in different periods for financial reporting and for tax purposes. The tax effects of these timing differences are not material to the accompanying financial statements. Provision for federal and state taxes on income consist of:

Federal	\$ 163,232
State	46,660
	<hr/>
	\$ 209,892

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FASB ASC 740, *Income Taxes* (formerly Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement 109 ("FIN 48")*) clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The FASB Accounting Standards Codification prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. The adoption of FASB ASC 740 did not have a material effect on the Company.

Subsequent Events

Management has evaluated subsequent events through March 31, 2013, the date the financial statements were available to be issued (see Note 8).

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Computers & equipment	\$ 266,798
Computer software	23,011
Furniture & fixtures	208,167
Leasehold improvements	612,900
Other property	51,193
	<hr/>
Less Accumulated depreciation	1,162,069
	<hr/>
	(182,172)
	<hr/>
	\$ 979,897

NOTE 3 – RELATED PARTY TRANSACTIONS

As of December 31, 2012, the Company had a note payable totaling \$335,271 to one of its shareholders. This note is unsecured, bears interest at 4.5% per annum, and is due and payable in full in February 2021. The Company also had a note payable to Menchie's University in the amount of \$228,950. This note is secured by cash, accounts receivable, inventory and equipment belonging to the business, bears interest at 4.5% per annum, and is due and payable in full in September 2013.

In addition the Company has notes receivable from affiliated companies in the total amount of \$412,137. These notes receivable are unsecured, bear interest at various rates from 0.0%-4.5% per annum, and are due at various dates through December 2022. The Company also has a note receivable from one of its shareholders in the amount of \$316,979. This note is unsecured, bears interest at 2.5% per annum, and is due in July 2027. Notes receivable current and noncurrent portions at 12/31/12 are:

Notes receivable	\$ 729,116
Less current portion	<hr/> (80,523)
	\$ 648,593

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 – TRADEMARKS

FASB ASC 350, *Goodwill and Other Intangible Assets* (formerly Statement of Financial Accounting Standards No 142) notes that purchased intangible assets other than goodwill will be amortized over their useful lives unless these lives are determined to be indefinite. Certain trademarks have been assigned an indefinite life as it is currently anticipated that these trademarks will contribute cash flows to the Company indefinitely. Indefinite-lived intangible assets are not amortized, but are evaluated at each reporting period to determine whether the indefinite useful life is appropriate. Management believes that at December 31, 2012, no impairment in value of the trademarks had occurred and that the indefinite useful life is appropriate.

NOTE 5 – LONG-TERM DEBT

Note Payable - Menchie's University On September 6 2011, the Company purchased a franchised Menchie's Frozen Yogurt store in Encino CA to use for educational purposes. The Company signed a secured promissory note in the amount of \$428,950 at 4.5% per annum. Periodic payments are required, with the final payment due on September 12, 2013

\$ 228,950

Note Payable – Shareholder On February 9, 2011, the Company signed a promissory note payable to one of its shareholders in the amount of \$375,813. The note is unsecured, bears interest at 4.5% per annum, with the total amount due by February 9, 2021

335,271

Total notes payable 564,221

Less current maturities (264,136)

Total notes payable, net of current portion \$ 300,085

Maturities of long-term debt are as follows

<u>Years Ending December 31,</u>	
2013	\$ 264,136
2014	36,803
2015	38,493
2016	40,262
2017	42,111
Thereafter	<u>142,416</u>
	\$ <u>564 221</u>

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 6 – LEASE COMMITMENTS

The Company leases its office space and some office equipment under operating leases expiring at various dates through January 2015. The premises lease agreement requires the Company to pay for a portion of maintenance and utilities. The lease agreement also includes an allotment of parking spaces.

At December 31, 2012 the future minimum lease payments required under the operating leases with initial or remaining terms in excess of one year is as follows:

<u>Years Ending December 31.</u>	
2013	\$ 371,150
2014	376,691
2015	0
2016	0
2017	0
Thereafter	0
	<hr/>
	\$ 747 841

Total rent expense for the year ended December 31, 2012 was \$272 693

NOTE 7 – FRANCHISEE DEPOSITS/REVENUE RECOGNITION

FASB ASC 952, *Franchisors* (formerly Statement of Financial Accounting Standards No. 45, Accounting for Franchise Fee Revenue) establishes specialized accounting and reporting standards for franchisors. The standards require that franchise fee revenue from individual and area franchise sales be recognized only when material services have been substantially performed or satisfied by the franchisor. Of the total income earned during 2012, the Company received \$6,529,183 in franchise fees and franchise rights. Based on management's representation and guidance from FASB ASC 952 management determined that franchise fees and rights should be recognized using two different methods.

Domestic franchise fees and rights should be recognized over a five year term in the following percentages:

<u>Accounting Year</u>	<u>Percentage of franchise fee recognized</u>
Year 1 (year fees received)	62.68%
Year 2	9.33%
Year 3	9.33%
Year 4	9.33%
Year 5	9.33%

International franchise fees and rights should be recognized over a three year term in the following percentages:

<u>Accounting Year</u>	<u>Percentage of franchise fee recognized</u>
Year 1 (year fees received)	50.0%
Year 2	25.0%
Year 3	25.0%

MENCHIE'S GROUP, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 7 – FRANCHISEE DEPOSITS/REVENUE RECOGNITION (continued)

At December 31 2012, the amount of franchisee deposits (deferred franchise revenue) was \$5 183 781 Associated expenses of \$342 175 relating to this deferred franchise fee revenue have also been included on the balance sheet and classified as deferred franchise costs

NOTE 8 – SUBSEQUENT EVENTS

In January 2013 the Company, along with its affiliated company BSD USA LLC mutually decided to combine their books and records The affiliated entity BSD USA LLC was merged into Menchie's Group Inc All assets liabilities and equity of both companies were combined According to management, the main purpose of the merger was to simplify operations and accounting into one larger entity An estimate of the financial effects of this subsequent event cannot be determined at this time

Exhibit C

FRANCHISE AGREEMENT

MENCHIE'S® Franchise Agreement

**Menchie's Group, Inc
17555 Ventura Boulevard, Suite 200
Encino, California 91316**

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MENCHIE'S® FRANCHISE AGREEMENT

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SCHEDULES

- A Data Sheet
- B Trademarks
- C Addendum to Lease
- D Electronic Transfer of Funds Authorization
- E Telephone Assignment Agreement
- F Personal Guarantee
- G Addendum to Franchise Agreement
- H Acknowledgment Addendum

MENCHIE'S® FRANCHISE AGREEMENT

This Franchise Agreement is made this _____ day of _____, 20____ between Menchie's Group, Inc., a California corporation with its principal business located at 17555 Ventura Boulevard, Suite 200, Encino, California 91316 ("we" or "us"), and "Franchisee" or "you" as identified on the Data Sheet attached as Schedule A (the "Data Sheet"). If the franchisee is a corporation, partnership, limited liability company or other legal entity, certain provisions to this Agreement also apply to its owners.

RECITALS

A We have developed a unique system for the establishment and operation of a soft-serve frozen yogurt and ice cream store which also features desserts and beverage items for retail sale to the public,

B We own the MENCHIE'S Trademark and other trademarks used in connection with the operation of a MENCHIE'S store,

C You desire to develop and operate a MENCHIE'S store, and

D We have agreed to grant you a franchise subject to the terms and conditions of this Agreement

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows

DEFINITIONS

1 For purposes of this Agreement, the terms below have the following definitions

A "Gross Sales" includes the total revenues and receipts from the sale of all products, services and merchandise sold in your Store, whether under any of the Trademarks or otherwise, including any catering or delivery services, cover charges or fees, in your Store or on its premises and all revenues derived from any type of authorized vending machines. Gross Sales excludes sales taxes

B "Menu Items" means the soft-serve frozen yogurt, ice cream, desserts, beverages, and other products prepared according to our specified recipes and procedures, as we may modify and change from time to time

C "Manual" or "Operations Manual" means any collection of written, video, audio and/or software media (including materials distributed electronically), regardless of title and consisting of various subparts and separate components, all of which we or our agents produce and which contain specifications, standards, policies, procedures and recommendations for your MENCHIE'S Store, all of which we may change from time to time

D "Operating Partner" means the person designated by Franchisee (if Franchisee is a legal entity) who (i) owns at least a 5% ownership interest in Franchisee, (ii) has completed our initial training program and (iii) has the authority to bind Franchisee in all dealings with us. If the Franchisee is one or more individuals, each individual is an Operating Partner of the franchisee

Your Operating Partner(s) are identified on the Data Sheet. Every time there is a change in the persons who are your Operating Partners, you must, within 10 days from the date of each such change, update the Data Sheet. As used in this Agreement, any reference to Operating Partner includes all Operating Partners.

E “Store” means the MENCHIE’S Store you develop and operate pursuant to this Agreement.

F “System” means the MENCHIE’S System, which consists of distinctive food and beverage products prepared according to special and confidential recipes and formulas with unique storage, preparation, service and delivery procedures and techniques, offered in a setting of distinctive exterior and interior layout, design and color scheme, signage, furnishings and materials and using certain distinctive types of facilities, equipment, supplies, ingredients, business forms, training materials, Manuals, sales techniques, methods and procedures, all of which we may modify and change from time to time.

G “Trademarks” means the MENCHIE’S Trademarks that have been registered in the United States and elsewhere and the trademarks, service marks and trade names set forth on Schedule B, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Store. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Store from time to time.

GRANT OF LICENSE

2 The following provisions control with respect to the license granted hereunder

A Authorized Location We grant to you the right and license to establish and operate a retail Store identified by the MENCHIE’S Trademarks or such other marks as we may direct, at the location identified on the Data Sheet, which location must be designated within two years from the date of this Agreement (the “Authorized Location”). When a location has been designated by you and you have received a non-objection (approval) notice from us, it will become part of this subparagraph 2 A as if originally stated. If an Authorized Location is not designated by you and approved by us within two years from the date of this Agreement, we may terminate this Agreement. You accept the license and undertake the obligation to operate the Store at the Authorized Location using the Trademarks and the System in compliance with the terms and conditions of this Agreement.

After you sign this Agreement but before you comment the site selection process you must satisfactorily complete our Circle of Success Program. The Circle of Success Program consists of eight separate recorded webinar sessions which last approximately one hour each. It will take you approximately 2 weeks (8 hours total) to complete the Circle of Success Program.

B Opening You agree that the Store will be open and operating in accordance with the requirements of subparagraph 5 A within 8 months after you sign a lease for your Store, unless we authorize in writing an extension of time. Before you open your Store for business, we will inspect your Store and provide you with a Certificate of Opening.

C Designated Territory The license is limited to the right to develop and operate one Store at the Authorized Location within the Designated Territory as defined on the Data Sheet (the “Designated Territory”).

During the term of this Agreement and provided you are in compliance with the terms and conditions of this Agreement, we will not (i) modify the Designated Territory, (ii) establish a company-owned or franchised MENCHIE'S Store within the Designated Territory, or (iii) establish a company-owned or franchised Store inside the Designated Territory that offers the same products and services as your MENCHIE'S Store, except for any Merger/Acquisition Activity (as described and defined below)

D Nonexclusivity, Our Reservation of Rights The license is limited to the right to develop and operate one Store at the Authorized Location

The license granted to you does not provide you with any right to (i) sell products and Menu Items identified by the Trademarks at any location outside the Designated Territory, except for authorized catering or delivery services as noted in subparagraph 1 E, (ii) sell products or Menu Items through any alternative channels or methods of distribution, including the Internet (or any other existing or future form of electronic commerce), (iii) sell products and Menu Items identified by the Trademarks to any person or entity for resale or further distribution, except as we may designate in writing, or (iv) exclude, control or impose conditions on our development of future franchised, company or affiliate-owned stores at any time or at any location regardless of the proximity to your Designated Territory. You acknowledge that the consumer trade area or service area of another MENCHIE'S Store may overlap with your Designated Territory

We retain all rights that are not expressly granted to you under this Agreement. Further, we may, among other things, on any terms and conditions we deem advisable, without compensation to any franchisee, and without granting you any rights therein

(i) establish and/or license others to establish franchised or company-owned Stores at any location outside your Designated Territory regardless of the proximity of such stores to your Designated Territory,

(ii) merge with, acquire or become associated with ("Merger/Acquisition Activity") any businesses or stores of any kind under other systems and/or marks, which businesses and stores may convert to or operate under the Trademarks and may offer or sell menu items, products and services that are the same as or similar to the Menu Items offered at or from the Store, and which stores may be located anywhere inside or outside of your Designated Territory, and

(iii) offer, sell and distribute for ourselves and/or license others to offer, sell and distribute through franchised businesses or any other method of distribution, both inside and outside your Designated Territory, menu items the same as or different from the Menu Items offered under the System and which are offered and distributed under the Trademarks or marks different from the Trademarks through any distribution channels or methods. The distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, wholesale, business or industry locations (e.g. manufacturing site, office building), military installations, military commissaries or the Internet (or any other existing or future form of electronic commerce)

You acknowledge and agree that certain locations are by their nature unique and separate in character from sites generally developed as MENCHIE'S Stores. As a result, you agree that we have the right to develop or franchise the following locations ("Special Sites") regardless of whether these locations are located inside your Designated Territory (1) military bases,

(2) public transportation facilities, (3) sports facilities, including race tracks, (4) student unions or other similar buildings on college or university campuses, (5) amusement and theme parks, (6) malls, and (7) special events

E Catering and Delivery You may not engage in catering and delivery services unless we authorize you in writing, as further described in subparagraph 6 K

TRADEMARK STANDARDS AND REQUIREMENTS

3 You acknowledge and agree that the Trademarks are our property and we have licensed the use of the Trademarks to you and others. You further acknowledge that your right to use the Trademarks is specifically conditioned upon the following

A Trademark Ownership The Trademarks are our valuable property, and we own all right, title and interest in and to the Trademarks and all past, present or future goodwill of the Store and of the business conducted at the Authorized Location that is associated with or attributable to the Trademarks. Your use of the Trademarks will inure to our benefit. You may not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest our rights in any of the Trademarks or the goodwill associated with the Trademarks, including any use of the Trademarks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media

B Trademark Use You may not use, or permit the use of, any trademarks, trade names or service marks in connection with the Store except those set forth in Schedule B or except as we otherwise direct in writing. You may use the Trademarks only in connection with such products and services as we specify and only in the form and manner we prescribe in writing. You must comply with all trademark, trade name and service mark notice marking requirements. You may use the Trademarks only in association with products and services approved by us and that meet our standards or requirements with respect to quality, mode and condition of storage, production, preparation and sale, and portion and packaging

C Store Identification You must use the name MENCHIE'S as the trade name of the Store and you may not use any other mark or words to identify the Store without our prior written consent. You may not, however, use the word "Menchie's" or any of the other Trademarks as part of the legal name of your corporation, partnership, limited liability company or other similar entity. You may use the Trademarks on various materials, such as business cards, stationery and checks, provided you (i) accurately depict the Trademarks on the materials as we prescribe, (ii) include a statement on the materials indicating that the business is independently owned and operated by you, (iii) do not use the Trademarks in connection with any other trademarks, trade names or service marks unless we specifically approve in writing prior to such use, and (iv) make available to us, upon our request, a copy of any materials depicting the Trademarks. You must post a prominent sign in the Store identifying you as a MENCHIE'S franchisee in a format we deem reasonably acceptable, including an acknowledgment that you independently own and operate the Store and that the MENCHIE'S Trademark is owned by us and your use is under a license we have issued to you. All your internal and external signs must comply at all times with our guidelines, requirements and practices, as they are modified from time to time

D Litigation In the event any person or entity improperly uses or infringes the Trademarks or challenges your use or our use or ownership of the Trademarks, we will control all litigation and we have the right to determine whether suit will be instituted, prosecuted or settled, the

terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware or any challenge or claim arising out of your use of any Trademark. You must take reasonable steps, without compensation, to assist us with any action we undertake. We will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Trademarks in violation of this Agreement, in which case you must reimburse us for our fees and expenses.

E Changes You may not make any changes or substitutions to the Trademarks unless we direct in writing. We reserve the right to change the Trademarks at any time. Upon receipt of our notice to change the Trademarks, you must cease using the former Trademarks and commence using the changed Trademarks. We will reimburse you for any out-of-pocket expenses you incur in connection with any change to the Trademarks on your letterhead, provided, however, that our reimbursement obligation during the Term of this Agreement will not exceed \$250.

F Creative Works All ideas, concepts, techniques, or materials concerning the MENCHIE'S Store, whether or not protectable intellectual property and whether created by or for you or one of your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you must assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing an assignment agreement or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

TERM AND RENEWAL

4 The following provisions control with respect to the term and renewal of this Agreement.

A Term The initial term of this Agreement is 10 years, unless this Agreement is sooner terminated in accordance with Paragraph 13. The initial term commences upon the Effective Date (as defined in subparagraph 15 Q) of this Agreement. We may extend this initial term in writing for a limited period of time not to exceed 6 months to take into account the term of any applicable lease for the Authorized Location.

B Renewal Term and Conditions of Renewal You may renew your license for three renewal terms of 10 years each, provided that with respect to each renewal: (i) you have given us written notice of your decision to renew at least 6 months but not more than 12 months prior to the end of the expiring term, (ii) you sign our then-current form of franchise agreement (modified to reflect any additional renewal term(s) upon expiration and other modifications to reflect that the agreement relates to the grant of a renewal), the terms of which may differ from this Agreement, including higher fees, (iii) you have complied with the provisions of subparagraph 5 E regarding modernization and you perform any further items of modernization and/or replacement of the building, premises, trade dress, equipment and grounds as may be necessary for your Store to conform to the standards then applicable to new MENCHIE'S stores, regardless of the cost of such modernizations and/or replacements, (iv) you are not in default of this Agreement or any other agreement pertaining to the franchise granted, have satisfied all monetary and material obligations on a timely basis during the term and are in good standing, (v) if leasing the Store premises, you have renewed the lease and have provided written proof of your ability to remain in possession of the premises throughout the renewal period, (vi) you comply with our then-current training requirements, (vii) you pay us, at least 30 days prior to the end of the expiring term, a renewal fee in

the amount of ten percent (10%) of our then-current initial franchise fee, and (viii) you and your Operating Partner(s) and guarantors execute a general release of claims in a form we prescribe

C Interim Period If you do not exercise your right to renew this Franchise Agreement prior to the expiration of this Agreement and continue to accept the benefits of this Agreement after the expiration of this Agreement, then at our option, this Agreement may be treated either as (i) expired as of the date of expiration with you then operating a franchise without the right to do so and in violation of our rights, or (ii) continued on a month-to-month basis ("Interim Period") until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all of your obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement will be deemed to take effect upon termination of the Interim Period.

FACILITY STANDARDS AND MAINTENANCE

5 You acknowledge and agree that we have the right to establish, from time to time, quality standards regarding the business operations of MENCHIE'S stores to protect the distinction, goodwill and uniformity symbolized by the Trademarks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions.

A Store Facility, Site Under Control You are responsible for purchasing or leasing a site that meets our site selection guidelines. You must use our designated vendor in connection with selecting and securing a site for your Store. We must consent to the site in writing. You may not use the Store premises or Authorized Location for any purpose other than the operation of a MENCHIE'S Store during the term of this Agreement or any Interim Period. We make no guarantees concerning the success of the Store located on any site to which we consent.

You may not open your Store for business until we inspect your Store and provide you with a Certificate of Opening and we have consented to your opening date. A Certificate of Opening may be obtained only after all local permits, certificates and codes have been met and a certificate of occupancy has been granted. If you do not pass your initial inspection, you will be charged for all costs and expenses incurred by us in sending an inspector to re-inspect your Store. We are not responsible or liable for any of your pre-opening obligations, losses or expenses you might incur for your failure to comply with these obligations or your failure to open by a particular date. We also are entitled to injunctive relief or specific performance under subparagraph 12 C for your failure to comply with your obligations.

In the event that you plan to enter into any type of lease for the Store premises, you and your landlord must sign the Lease Addendum attached as Schedule C. We recommend you submit the Lease Addendum to the landlord at the beginning of your lease review and negotiation, although the terms of the Lease Addendum may not be negotiated without our prior approval. If the landlord requires us to negotiate the Lease Addendum, we reserve the right to charge you a fee, which will not exceed our actual costs associated with the negotiation. You must provide us a copy of the executed lease and Lease Addendum within 5 days of its execution. We have no responsibility for the lease, it is your sole responsibility to evaluate, negotiate and enter into the lease for the Store premises.

You must execute, and provide us an executed copy of your lease (including an executed copy of the Lease Addendum) or the purchase agreement for the selected and approved site for your Store within 24 months from the date of execution of this Agreement. If you fail to have your "site under control" (execute the lease or the purchase agreement within the timeframe set forth in this subparagraph), we will have the right to terminate this Agreement without opportunity to cure pursuant to subparagraph 13 B 2

B Construction, Future Alteration You must construct and equip the Store in strict accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, furnishings, and design and layout of the building. You may not commence construction of the Store until you have received our written consent to your building plans

Without limiting the generality of the prior paragraph, you must promptly and in no event more than sixty (60) days after obtaining possession of the site for the Store (i) have prepared and submitted for our approval a site survey and basic architectural plans and specifications consistent with our general atmosphere, image, color scheme and decor requirements as set forth from time to time in the manuals for a MENCHIE'S Store (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating), (ii) purchase or lease and then, in the construction of the Store, use only the approved building materials, equipment, fixtures, furniture and signs, (iii) complete the construction and/or remodeling, equipment, fixtures, furniture and sign installation and decorating of the Store in full and strict compliance with plans and specifications we approve and all applicable ordinances, building codes and permit requirements without any unauthorized alterations, (iv) obtain all customary contractors' sworn statements and partial and final waivers, obtain all necessary permits, licenses and architectural seals and comply with applicable legal requirements relating to the building, signs, equipment and premises, including, but not limited to, the Americans With Disabilities Act, and (v) obtain and maintain all required zoning changes, building, utility, health, sanitation, and sign permits and licenses and any other required permits and licenses. It is your responsibility to comply with the foregoing conditions

Any change to the building plans or any replacement, reconstruction, addition or modification in the building, interior or exterior decor or image, equipment or signage of the Store to be made after our consent is granted for initial plans, whether at the request of you or of us, must be made in accordance with specifications that have received our prior written consent. You may not commence such replacement, reconstruction, addition or modification until you have received our written consent to your revised plans

C Maintenance The building, equipment, fixtures, furnishings, signage and trade dress (including the interior and exterior appearance) employed in the operation of your Store must be maintained and refreshed in accordance with our requirements established periodically and any of our reasonable schedules prepared based upon periodic evaluations of the premises by our representatives. Within a period of 30-60 days (as we determine depending on the work needed) after the receipt of any particular report prepared following such an evaluation, you must effect the items of maintenance we designate, including the repair of defective items and/or the replacement of irreparable or obsolete items of equipment and interior signage. If, however, any condition presents a threat to customers or public health or safety, you must effect the items of maintenance immediately, as further described in subparagraph 6 G

D Relocation If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us, provided that the new Store is open and operating within 180 days after construction commences, all in accordance with our then-current standards. If you voluntarily decide to relocate the Store, your right to relocate the Store will be void and your interest in this Agreement will be voluntarily abandoned, unless you have given us notice of your intent to relocate not less than 60 days prior to closing the Store, have procured a site that we accept within 60 days after closing the prior Store, have opened the new Store for business within 180 days of such closure and complied with any other conditions that we reasonably require. You must pay us a \$5,000 relocation fee to cover our costs associated with the relocation.

In the event your Store is destroyed or damaged and you repair the Store at the Authorized Location (rather than relocate the Store), you must repair and reopen the Store at the Authorized Location in accordance with our then-current standards for the destroyed or damaged area within 180 days of the date of occurrence of the destruction or damage.

You do not have the right to relocate in the event you lose the right to occupy the Store premises because of the cancellation of your lease due to your breach. The termination or cancellation of your lease due to your breach is grounds for immediate termination under subparagraph 13 B 2.

E Modernization or Replacement From time to time as we require, you must effect items of modernization and/or replacement of the building, premises, trade dress, equipment and grounds as may be necessary for your Store to conform to the standards for similarly situated new MENCHIE'S stores. Furthermore, in addition to performing general continued maintenance and refreshing of the Store premises whenever necessary as set forth in subparagraph 5 C, you must effect any required expenditures for equipment or leasehold improvements necessary to prepare new menu items or products. We will not require you to spend more than \$90,000 on Store modernization and replacement during the initial term of this Agreement.

Each and every transfer of any interest in this Agreement or your business governed by Paragraph 11 or any renewal covered by Paragraph 4 is expressly conditioned upon your compliance with these modernization or replacement requirements at the time of transfer or renewal.

You acknowledge and agree that the requirements of this subparagraph 5 E are both reasonable and necessary to ensure continued public acceptance and patronage of MENCHIE'S stores and to avoid deterioration or obsolescence in connection with the operation of the Store. If you fail to make any improvement as required by this subparagraph or perform the maintenance described in subparagraph 5 C, we may, in addition to our other rights in this Agreement, effect such improvement or maintenance and you must reimburse us for the costs we incur.

F Signage The outdoor signage at your Store must comply with our then current specifications, which we may modify and change from time to time due to modifications to the System, including changes to the Trademarks. You must make such changes to the outdoor signage as we require.

PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS

6 You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity The following provisions control with respect to products and operations

A Authorized Menu Your business must be confined to the preparation and sale of only such Menu Items and other food and beverage products as we designate and approve in writing from time to time for sale by your Store You must offer for sale from the Store all items and only those items listed as Menu Items and other approved food and beverage products We have the right to make modifications to these items from time to time, and you agree to comply with any modifications You may not offer or sell any other product or service at the Authorized Location without our prior written consent

B Authorized Products and Ingredients You must use in the operation of the Store and in the preparation of Menu Items and other food and beverage products only the proprietary and non-proprietary ingredients, recipes, formulas, techniques, processes and supplies we designate, and prepare and serve the Menu Items and products in such portions, sizes, appearance, taste and packaging, all as we specify in our Operations Manual or otherwise in writing You acknowledge and agree that we may change these periodically and that you are obligated to conform to the requirements All supplies, including containers, cups, plates, wrappings, eating utensils, and napkins, and all other customer service materials of all descriptions and types must meet our standards of uniformity and quality You acknowledge that the Store must at all times maintain an inventory of ingredients, food and beverage products and other products, materials and supplies that will permit operation of the Store at maximum capacity

C Approved Supplies and Suppliers We will furnish to you from time to time lists of approved supplies or approved suppliers You must only use approved products, services, inventory, equipment, fixtures, furnishings, signs, advertising materials, trademarked items and novelties, and other items or services (collectively, "Approved Supplies") in connection with the design, construction and operation of the Store as set forth in the Approved Supplies lists, as we may amend from time to time Although we do not do so for every item, we have the right to approve the manufacturer, distributor and/or supplier of Approved Supplies (an "Approved Supplier") You acknowledge and agree that certain Approved Supplies may only be available from one required Approved Supplier source, and we may be that source For example, you must purchase all trademarked retail items, and certain products, supplies, equipment and materials from us or our designated supplier You will pay the then-current price in effect for Approved Supplies purchased from us, or affiliates or any third party we designate All inventory, products, materials and other items and supplies used in the operation of the Store that are not included in the Approved Supplies or Approved Suppliers lists must conform to the specifications and standards we establish from time to time **ALTHOUGH APPROVED OR DESIGNATED BY US, WE MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO SERVICES, PRODUCTS, EQUIPMENT (INCLUDING, WITHOUT LIMITATION, ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS IN ADDITION, WE DISCLAIM ANY LIABILITY ARISING OUT OF OR IN CONNECTION WITH THE SERVICES RENDERED OR PRODUCTS FURNISHED BY ANY SUPPLIER APPROVED OR DESIGNATED BY US OUR APPROVAL OR CONSENT TO ANY SERVICES, GOODS, SUPPLIERS, OR ANY OTHER INDIVIDUAL, ENTITY OR ANY ITEM SHALL NOT CREATE ANY LIABILITY TO US**

D POS System You must purchase a POS system from our required supplier, currently Micros, including all future updates, supplements and modifications (the "POS System") The POS System includes all hardware and software used in the operation of the Store, including electronic point-of-sale cash registers and any software we may designate to record and analyze sales, labor, inventory, product usage, employee information and tax information The POS System also will include any credit card processing system we designate You agree that in connection with any credit, debit and/or charge card payments you receive, you will adhere to, and cause any service provider or third party-provided payment applications to adhere to cardholder data security standards according to the then-current PCI (Payment Card Industry) Data Security Standards You will be responsible for any costs and expenses related to compliance with such standards and/or related audits You must provide us with evidence of such compliance at our request You also must provide notice to us of any potential or actual data security breach relating to cardholder data

The computer software package developed for use in the Store may include proprietary software You may be required to license the proprietary software from us or a third party and you also may be required to pay a software licensing or user fee in connection with your use of the proprietary software All right, title and interest in the software will remain with the licensor of the software You shall not use or download any software on your computer unless it has been authorized by us in writing In the event that you use or download any unauthorized software, you shall be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement You acknowledge and agree that we will have full and complete access to the information and data entered and produced by the POS System You must, at all times, have at the Authorized Location Internet access with a form of high speed connection as we require and you must maintain an email account for the Store Your email account may not exceed 50 megabytes

E Serving and Promotional Items All sales promotion material, customer goodwill items, cartons, containers, wrappers and paper goods, eating and serving utensils and other items, and customer convenience items used in the sales promotion, sale and distribution of products covered by this Agreement are subject to our approval and must, where practicable, contain one or more of the Trademarks You must purchase these items from our Approved Suppliers

F Health and Sanitation Your Store must be operated and maintained at all times in compliance with any and all applicable health and sanitary standards prescribed by governmental authority You also must comply with any standards that we prescribe In addition to complying with such standards, if the Store is subject to any sanitary or health inspection by any governmental authorities under which it may be rated in one or more than one classification, it must be maintained and operated so as to be rated in the highest available health and sanitary classification with respect to each governmental agency inspecting the same In the event you fail to be rated in the highest classification or receive any notice that you are not in compliance with all applicable health and sanitary standards, you must immediately notify us of such failure or noncompliance

G Evaluations We or our authorized representative have the right to enter your Store at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your building, land and equipment, and to test, sample, inspect and evaluate your supplies, ingredients and products, as well as the storage, preparation and formulation and the conditions of sanitation and cleanliness in the storage, production, handling and serving Any failure of an inspection is a default under Section 13 A of this Agreement Further, if we determine that any condition in the Store presents a threat to customers or public health or safety, we may take whatever measures we deem

necessary, including requiring you to immediately close the Store until the situation is remedied to our satisfaction. Our inspections and evaluations may include a "mystery shopper" program from time to time throughout the term of this Agreement. If you fail an evaluation by us or by a mystery shopper or if we receive a specific customer complaint, you must pay the costs and expenses of subsequent "mystery shopper" visits. Any evaluation or inspection we conduct is not intended to exercise, and does not constitute, control over your day-to-day operation of the Business or to assume any responsibility for your obligations under this Agreement.

H Period of Operation Subject to any contrary requirements of local law, your Store must be opened to the public and operated during the days and times set forth in the Operations Manual. You acknowledge and agree that if your Store is closed for a period of 2 consecutive days or 5 or more days in any 12-month period without our prior written consent, such closure constitutes your voluntary abandonment of the franchise and business and we have the right, in addition to other remedies provided for herein, to terminate this Agreement. Acts of force majeure, as defined in subparagraph 16 M, that prevent you from complying with the foregoing will not constitute an abandonment of the franchise business as noted in this Section 6 H.

I Operating Procedures You must adopt and use as your continuing operational routine the required standards, service style, procedures, techniques and management systems described in our Operations Manual or other written materials relating to product preparation, menu, storage, uniforms, financial management, equipment, facility and sanitation. We will revise the Operations Manual and these standards, procedures, techniques and management systems periodically to meet changing conditions of retail operation in the best interest of stores operating under the Trademarks. Any required standards exist to protect our interests in the System and the Trademarks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards generally will be set forth in the Manual or other written materials. The Manual also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and Trademarks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines. You must use your best efforts to promote and increase the sales and service of Menu Items and to effect the widest and best possible distribution throughout the Designated Area.

You acknowledge having received one copy of the Operations Manual on loan from us for the term of this Agreement. The Operations Manual is at all times our sole property. You must at all times treat the Operations Manual, and the information it contains, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential. We may from time to time revise the contents of the Operations Manual and you expressly agree to comply with each new or changed requirement. You must at all times ensure that your copy of the Operations Manual is kept current and up to date, and in the event of any dispute as to the contents of said Operations Manual, the terms of the master copy of the Operations Manual that we maintain are controlling. You acknowledge and agree that in the future the Operations Manual and other system communications may only be available on the Internet or other online or computer communications.

J Confidential Information You, the Operating Partners, and your manager may not, during the term of this Agreement or thereafter, disclose, copy, reproduce, sell or use for the

benefit of any other person or entity Confidential Information, except to such employees that must have access to it to operate the Store. For purposes of this Agreement, "Confidential Information" means the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures and/or improvements regarding the business that is valuable and secret in the sense that it is not generally known to our competitors and any proprietary information contained in the Operations Manual or otherwise communicated to you in writing, verbally or through the Internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Store, as well as the content of this Agreement and any other document executed in connection with this Agreement. Any and all Confidential Information, including, without limitation, proprietary ingredients, secret formulas and recipes, customer lists, methods, procedures, suggested pricing, specifications, processes, materials, techniques and other data, may not be used for any purpose other than operating the Store. We may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from any persons owning a minority interest in the franchisee, the Operating Partners, your manager and other key employees. You must provide executed copies of these agreements to us upon our request. Notwithstanding the foregoing, you are authorized to disclose the terms of this Agreement to any lender providing you financing for the Store as well as to your landlord.

K Catering and Delivery Services If you want to offer catering or delivery service to customers, you must obtain our prior written approval. Any catering or delivery services must meet our written standards. You also must charge the same price for products offered by the Store whether delivered or catered by or sold in the Store. Any income from catering or delivery services must be included in Gross Sales for purposes of your Royalty Fee and Marketing Fee.

L Compliance with Law, Licenses and Permits You must at all times maintain your premises and conduct your Store operations in compliance with all applicable laws, regulations, codes and ordinances. You must secure and maintain in force all required licenses, permits and certificates relating to your Store. It is your responsibility to make sure that you are in compliance with all laws that are applicable to the POS System or other technology used in the operation of your Business, including all data protection or security laws as well as PCI compliance.

You acknowledge that you are an independent business and responsible for control and management of your Store, including, but not limited to, the hiring and discharging of your employees and setting and paying wages and benefits of your employees. You acknowledge that we have no power, responsibility or liability in respect to the hiring, discharging, setting and paying of wages or related matters.

You must immediately notify us in writing of any claim, litigation or proceeding that arises from or affects the operation or financial condition of your MENCHIE'S business or Store, including any notices of health code violations.

M Participation in Internet Websites or Other Online Communications We may require you, at your expense, to participate in our MENCHIE'S website on the Internet, our intranet system or extranet system or other online communications as we may require. We have the right to determine the content and use of our website and intranet or extranet system and will establish the rules under which franchisees may or must participate. You may not separately register any domain name containing any of the Trademarks, participate in any website or social media platform that markets goods and services similar to a MENCHIE'S store, or operate a website for your Store that does not link to our website. We retain all rights relating to our website and intranet system and may alter or terminate our website, extranet system or intranet system. Your

general conduct on our website and intranet and extranet systems or other online communications (including social media) and specifically your use of the Trademarks or any advertising is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in our website or intranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our website and intranet or extranet system, or otherwise use the Trademarks or System on the Internet or other online communications, will terminate when this Agreement expires or terminates.

N System Modifications You acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we prescribe under this Agreement to adapt the System to changing conditions competitive circumstances, business strategies, business practices and technological innovations and other changes as we deem appropriate. You must comply with these modifications, additions or rescissions at your expense, subject to any express limitations set forth in this Agreement.

O Suggested Pricing Policies You generally have the right to establish prices for the Menu Items and other products and services you sell. We may, from time to time, suggest prices for the Menu Items and other products and services you sell. We do, however, have the right to modify the Menu Items or System to give us the right to establish prices, both minimum and maximum. Any such modification will be in writing. Unless we so modify the Menu Items or our System, any list or schedule of prices we furnish to you is a recommendation only and any decision you make to accept or reject the suggestion will not in any way affect the relationship between you and us.

PERSONNEL AND SUPERVISION STANDARDS

7 The following provisions and conditions control with respect to personnel, training and supervision

A Supervision You (if Franchisee is an individual) or one of your owners (if Franchisee is a legal agent) must devote adequate time and best efforts to the management and operation of your Store. You must devote a minimum of 10 hours per week to managing your Store. You may hire an Assistant Store Leader to assist you in managing the day-to-day operations of the Store. Any Assistant Store Leader or replacement Assistant Store Leader(s) you hire must complete our training as described in subparagraphs 7 B – 7 E. Any Assistant Store Leader(s) or replacement Assistant Store Leader(s) you hire must be trained by us. Any Assistant Store Leader you may hire need not have any interest in Franchisee. The use of an Assistant Store Leader in no way relieves you of your obligations to comply with this Agreement and to ensure that the Store is properly operated.

B Training You must comply with all of the training requirements we prescribe for the Store to be developed under this Agreement. You (or if Franchisee is a legal entity your Operating Partner) must complete our initial training program to our satisfaction.

We will provide our initial training program to you (or your Operating Partner) and 1 additional person without charging you a fee. You, however, are responsible for paying all costs and daily living expenses, including hotel and transportation costs, for these individuals to attend our training program. If you would like us to train more than the 2 people noted above, or if it becomes necessary to retrain a certain individual, we will charge you our then-current training fee, which fee

will not exceed \$500 per person per day. You will be responsible for paying all costs and other daily expenses for any additional person who attends our initial training program.

We also will provide you with up to 4 days of on-site assistance. Specifically, when your Store is ready to open, we will, at our cost, send one of our representatives to your Store to provide opening assistance and support.

The training requirements may vary depending on your experience and the experience of any manager you hire or other factors specific to the Store. In the event you are given notice of default as set forth in subparagraphs 13 A and B, and the default relates, in whole or in part, to your failure to meet any operational standards, we have the right to require as a condition of curing the default that you and your manager, at your expense, comply with the additional training requirements we prescribe. Any new manager you hire must comply with our training requirements within a reasonable time as we specify. The training of new managers generally occurs at one of our corporate stores, but we may schedule your training at another site. Under no circumstances may you permit the management of the Store's operation on a regular basis by a person who has not successfully completed to our reasonable satisfaction all applicable training we require.

If you request additional training or if we determine that it is necessary to provide you with more training, we may require you to pay to us for each additional training day at our then-current daily training fee.

C Ongoing Training We may require you, your manager and other key employees of the Store to attend, at your expense, ongoing training at our training facility, the Authorized Location or other location we designate. If you request training in addition to the initial training program identified above, you must pay to us our then-current daily training fee plus expenses.

D Staffing You will employ a sufficient number of competent and trained employees to ensure efficient service to your customers. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever, and nothing in any aspect of the System or the Trademarks in any way shifts any employee or employment related responsibility from you to us. You alone are responsible for hiring, firing, training, setting hours for and supervising all employees.

E Attendance at Meetings You must attend, at your expense, any annual franchise conventions we may hold or sponsor and all meetings relating to new products or product preparation procedures, new operational procedures or programs, training, store management, sales or sales promotion, or similar topics. If you are not able to attend a meeting or convention, you must notify us prior to the meeting and must have a substitute person acceptable to us attend the meeting.

ADVERTISING

8 You agree to actively promote your Store, to abide by all of our advertising requirements and to comply with the following provisions.

A Marketing Fund You must pay to us a Marketing Fee as set forth in subparagraph 9 F. All Marketing Fees will be placed in a Marketing Fund that we own and manage. On behalf of our company-owned stores, we will pay the same Marketing Fee as similarly situated franchised stores (based on age and type of location) in the same local marketing area, except for Special Sites. The Marketing Fund is not a trust or escrow account, and we have no fiduciary obligation to franchisees with respect to the Marketing Fund, provided, however, we will make a

good faith effort to expend such fees in a manner that we determine is in the general best interests of the System. We have the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. Because of the methods used, we are not required to spend a prorated amount on each store or in each advertising market. We have the right to make disbursements from the Marketing Fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns. The disbursements may include payments to us for the expense of administering the Marketing Fund, including accounting expenses and salaries and benefits paid to our employees engaged in the advertising functions. If requested, we will provide you an annual unaudited statement of the financial condition of the Marketing Fund.

B Required Local Expenditures You must use your best efforts to promote and advertise the Store and participate in any local marketing and promotional programs we establish from time to time. In addition to any Marketing Fee we may collect, you are required to spend \$4,000 per year on approved local marketing and promotion in your own market. Upon our request, you must provide us with itemization and proof of marketing and an accounting of the monies that you have spent for approved local marketing. If you fail to make the required expenditure, we have the right to collect and contribute the deficiency to the Marketing Fund.

C Grand Opening Marketing You must spend at least \$5,000 on a grand opening campaign which will include promotional elements, merchandise/giveaways, entertainment, decorations, yogurt and labor (the "Grand Opening Marketing Campaign"). All grand opening marketing and promotion must be approved by us. Your Grand Opening Marketing Campaign expenditures will count towards your first year local advertising requirements.

D Approved Materials You must use only such marketing materials (including any print, radio, television, electronic, social media, or other media forms that may become available in the future) as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. Furthermore, any promotional activities you conduct in the Store or on its premises are subject to our approval. We will not unreasonably withhold approval of any sales promotion materials or media and activities, provided that they are current, in good condition, in good taste and accurately depict the Trademarks.

E Advertising Cooperatives We have the right to designate local advertising markets and if designated, you must participate in and contribute to the cooperative advertising and marketing programs in your designated local advertising market. If established, you must direct your local advertising expenditure to the advertising cooperative, which is separate from the payment of the Marketing Fee. Each MENCHIE'S store, including those operated by us, within a designated local advertising area is a member of the local advertising cooperative and each store has one vote on all matters requiring a vote. Each advertising cooperative will be required to adopt governing bylaws that meet our approval. You must obtain our written approval of all promotional and advertising materials, creative execution and media schedules prior to their implementation. Each advertising cooperative will be required to prepare annual financial statements, which must be made available to all members of the cooperative and to us upon request. Also, each advertising cooperative must submit to us its meeting minutes upon our request. We have the right to require advertising cooperatives to be formed, changed, dissolved or merged in our sole determination.

F Gift Cards, Certificates and Checks You must use and honor only system-wide gift cards, certificates and checks that we designate and you must obtain all certificates, cards or checks from an Approved Supplier

FEES, REPORTING AND AUDIT RIGHTS

9 You must pay the fees described below and comply with the following provisions

A Initial Franchise Fee You must pay to us an Initial Franchise Fee of \$40,000 If you are signing this Agreement in connection with your rights and obligations under a Multi Unit Agreement, the Initial Franchise Fee you will pay under this Agreement will be set forth in the Multi Unit Agreement The Initial Franchise Fee must be paid at the time you sign this Agreement, is fully earned upon receipt, and except as noted below, is nonrefundable

Within 30 days of the Effective Date of this Agreement, you may choose to open additional Stores (a total of 3 Stores or 5 Stores, including the Store operated under this Agreement) and receive the benefit of a reduced, per Store, Initial Franchise Fee If you choose to exercise this option, you will be required to pay us the difference between the Initial Franchisee Fee(s) you already paid and the balance owed for the additional Stores you agree to open, which will be calculated and paid in accordance with the terms of our then-current form of Multi Unit Agreement You also will be required to sign a Multi Unit Agreement, or if you are already a party to a Multi Unit Agreement, an addendum to the Multi Unit Agreement identifying the additional Stores you have agreed to open

B Uniforms, Merchandise and Store Supplies Prior to the opening of your Store, you must pay us \$3,000 for uniforms, merchandise and store supplies

C Menchie's Development Services Fee At the time you sign this Agreement, you must pay us a fee for providing real estate selection services to you (the "Development Services Fee") The Development Services Fee is \$1,920 The Development Services Fee is earned upon receipt and is non-refundable

D Menchie's Proprietary System Software Package You must pay us a monthly fee in the amount of \$80 for the Menchie's Proprietary System Software Package The fee will cover our expenses associated with furnishing one user with our franchise management software, creating email accounts, email marketing, and providing technology administration and maintenance according to our then current guidelines and procedures, which may change from time to time The monthly fee for the Menchie's Proprietary System Software Package is non-refundable and you will begin paying the fee 30 days after you sign a lease for your Store We reserve the right to increase or decrease the monthly fee each calendar year in an amount not to exceed 5% We will provide you with written notice of any change to the fee 14 days prior to any change

E Royalty Fee In addition to the Initial Franchise Fee, during the full term of this Agreement, or any Interim Period, and in consideration of the rights granted to you, you must pay to us a weekly Royalty Fee equal to 6% of Gross Sales

F Marketing Fee You must pay to us a weekly Marketing Fee in an amount equal to 2% of Gross Sales These fees are not held by us in trust and become our property to be spent in accordance with Paragraph 8 A of this Agreement

G Computations and Remittances Except for the Initial Franchise Fee, Development Services Fee and Technology Fee, you must compute all amounts due and owing at the end of each weekly period from Sunday to Saturday and remittance for the amounts must be made to us on or before Friday of the following week, accompanied by the reports required by subparagraph 9 J of this Agreement. We reserve the right to change the reporting day of the week for any or all amounts. You must certify the computation of the amounts in the manner and form we specify, and you must supply to us any supporting or supplementary materials as we reasonably require to verify the accuracy of remittances. You waive any and all existing and future claims and offsets against any amounts due under this Agreement, which amounts you must pay when due. We have the right to apply or cause to be applied against amounts due to us any amounts that we may hold from time to time on your behalf or that we owe to you.

H Electronic Transfer of Funds You must sign an electronic transfer of funds authorization, attached as Schedule D, to authorize and direct your bank or financial institution to transfer electronically, on a weekly basis, the Royalty Fee and Marketing Fee directly to our account and to charge to your account all amounts due to us. You will pay us the Technology Fee on a monthly basis via electronic transfer. You must maintain a balance in your account sufficient to allow us to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this subparagraph.

I Interest Charges, Late Fees Any and all amounts that you owe to us will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In addition to interest charges on late Royalty Fee and Marketing Fee payments, you must pay to us a service charge of 10% of the delinquent amount for each delinquent report or payment that you owe to us under this Agreement. A payment is delinquent for any of the following reasons (i) we do not receive the payment on or before the date due, or (ii) there are insufficient funds in your bank account to collect the total payment by a transfer of funds on or after the date due. The service charge is not interest or a penalty, it is only to compensate us for increased administrative and management costs due to late payment.

J Financial Planning and Management You must keep books and records and submit reports as we periodically require, including but not limited to a monthly profit plan, monthly balance sheet and monthly statement of profit and loss, records of prices and special sales, check registers, purchase records, invoices, sales summaries and inventories, sales tax records and returns, payroll records, cash disbursement journals and general ledgers, all of which accurately reflect the operations and condition of your Store operations. You must compile, keep and submit to us the books, records and reports on the forms and using the methods of bookkeeping and accounting as we periodically may prescribe. The records that you are required to keep for your Store must include detailed daily sales, cost of sales, and other relevant records or information maintained in an electronic media format and methodology we approve. You must provide this information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You also must preserve and retain the books, records and reports for not less than five years. You must allow us electronic and manual access to any and all records relating to your Store.

K Reports and Audit Within 10 days after the end of each month, you must submit to us a report of your Gross Sales with respect to the preceding month in the form and content as we periodically prescribe. The report must include, but not be limited to, the following information for the preceding month (i) amount of Gross Sales and Net receipts of the Store, amount of sales tax

and the computation of the Royalty Fee and the Marketing Fee, (ii) quantities of products purchased and the sources from which each were obtained, (iii) copies of your most recent sales tax return, sales summary and monthly balance sheet and statement of profit and loss, including a summary of your costs for utilities, labor, rent and other material cost items (iv) if requested by us to verify your Gross Sales, all such books and records as we may require under our audit policies published from time to time. You also must, at your expense, submit to us within 90 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year. We may require that the annual financial statements be reviewed by a certified public accountant. You must certify all reports to be true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirement on our other franchisees.

We or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Store are kept and to evaluate, copy and audit such books and records. We also have the right to request information from your suppliers and vendors. In the event that any such evaluation or audit reveals any understatement of 2% or more of your Gross Sales, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to 3 years thereafter and any further audits and evaluations will be at your sole expense, including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if you intentionally understate or underreport Gross Sales at any time, or if a subsequent audit or evaluation conducted within the 3-year period reveals any understatement of your Gross Sales of 2% or more, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately. In order to verify the information that you supply, we have the right to reconstruct your sales through the inventory extension method or any other reasonable method of analyzing and reconstructing sales. You agree to accept any such reconstruction of sales unless you provide evidence in a form satisfactory to us of your sales within a period of 14 days from the date of notice of understatement or variance. You must fully cooperate with us or our representative in performing these activities and any expenses incurred by us from your lack of cooperation shall be reimbursed by you.

We will keep your financial books, records and reports confidential, unless the information is requested by tax authorities or used as part of a legal proceeding or in a manner as set forth in subparagraph 11 D 8 or where your information is grouped with similar information from other stores to produce shared results like high-low ranges or average Gross Sales or expenses on a system-wide or regional basis.

YOUR OTHER OBLIGATIONS, NONCOMPETE COVENANTS

10 You agree to comply with the following terms and conditions

A Payment of Debts You agree to pay promptly when due (i) all payments, obligations, assessments and taxes due and payable to us and our vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with your business, (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Store or business, and (iii) all accounts and other indebtedness of every kind incurred by you in operating the Store or business. In the event you default in making any such payment, we are authorized, but not required, to pay the same on your behalf and you agree promptly to reimburse us on demand for any such payment.

B Indemnification As between us and you, you are solely responsible for the safety and well-being of your employees and your customers. You waive all claims against us for damages to property or injuries to persons arising out of the operation of your Store. You must fully protect, indemnify and hold us and our owners, directors, officers, insurers, successors and assigns harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Store (regardless of cause or any concurrent or contributing fault or negligence of us) or any breach by you or your failure to comply with the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you must reimburse us for all our costs and all attorneys' fees immediately upon our request as they are incurred.

We waive all claims against you for damages to property or injuries to persons arising out of the operation of our company-owned stores. We must fully protect, indemnify and defend you and your affiliates and hold you and them harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of our company-owned stores (regardless of cause or any concurrent or contributing fault or negligence of you) or any breach by us or our failure to comply with the terms and conditions of this Agreement.

C Insurance You must purchase and maintain in full force and effect, at your expense insurance that insures both you and us, and any other persons we designate by name. You must obtain your insurance from the source we designate. The insurance policy or policies must be written in accordance with the standards and specifications (including minimum coverage amounts) set forth in writing by us from time to time, and, at a minimum, must include the following (except as different coverages and policy limits may be specified for all franchisees from time to time in writing) (i) "special" causes of loss coverage forms (sometimes called "All Risk Coverage" or "All Peril Coverage") on the Store, store improvements and all furniture, fixtures, equipment, supplies and other property used in the operation of the Store, for full repair and replacement value, except that an appropriate deductible clause is permitted, (ii) business interruption insurance covering a minimum of 12 months loss of income, including coverage for our Royalty Fees (for example, in the event of a fire or destruction of the premises, the insurance must cover our average royalty payments (based on the previous 12-month timeframe, or if a shorter timeframe, the total operating timeframe for the store) during the rebuilding process), (iii) comprehensive general liability insurance including product liability insurance and contractual liability insurance, (iv) workers' compensation insurance covering all of your employees, (v) motor vehicle insurance, (vi) umbrella liability insurance which also includes employers liability, (vii) "Per Location" aggregate limits when multiple store locations are insured under one comprehensive general liability and umbrella liability policy(cies), (viii) Menchie's Group, Inc named as an additional insured on all liability policies required by this subparagraph, (ix) severability of interests and/or separation of insureds provisions must be included in the liability policies and all policies must be primary and non-contributing with any insurance policy carried by Menchie's Group, Inc , and (x) any other such insurance coverages or amounts as required by law or other agreement related to the Store.

The insurance coverages referenced above must commence as of the date you sign a lease or purchase agreement for the Authorized Location. You must deliver to us at commencement and annually or at our request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this subparagraph. The insurance certificate must show our status as an additional insured and provide that we will be given 30 days' prior

written notice of a material change in or termination or cancellation of the policy. We also may request copies of all policies. We may from time to time modify the required minimum limits and require additional insurance coverages, by providing written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the MENCHIE'S system, standards of liability and higher damage awards. If you do not procure and maintain the required insurance coverage required by this Agreement, we have the right, but not the obligation, to procure insurance coverage and to charge the costs to you, together with a reasonable fee for the expenses we incur in doing so. You must pay these amounts to us immediately upon written notice.

D Noncompete Covenants You agree that you will receive valuable training, Confidential Information and goodwill that you otherwise would not receive or have access to but for the rights licensed to you under this Agreement. You therefore agree to the following noncompetition covenants.

1 Unless otherwise specified, the term "you" as used in this subparagraph 10 D includes, collectively and individually, all Operating Partners, guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest in you. We may require you to obtain from your manager and other individuals identified in the preceding sentence a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of this subparagraph 10 D.

2 You covenant that during the term of this Agreement or during any Interim Period you will not, except as we otherwise agree to in writing, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any Competing Business (as defined below).

3 You covenant that you will not, for a period of 2 years after the expiration or termination of this Agreement, or after the expiration of any Interim Period, regardless of the cause of termination, or within 2 years of the sale of the Store or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in a Competing Business.

- a At the premises of the former Store,
- b Within 25 miles of the former Store, or
- c Within 25 miles of any other business or store using the MENCHIE'S System, whether franchised or owned by us

For purposes of this Section 10 D, a Competing Business includes any business where 10% or more of its sales include the sale of soft-serve frozen yogurt or ice cream.

4 You agree that the length of time in subpart (3) will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that each of the foregoing

covenants will be construed as independent of any other covenant or provision of this Agreement

TRANSFER OF FRANCHISE

11 You agree that the following provisions govern any transfer or proposed transfer

A Transfers We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Store. Consequently, neither your interest in this Agreement nor in the Store may be transferred or assigned to or assumed by any other person or entity (the "assignee"), in whole or in part, unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with subparagraph 11 F, and, if we do not exercise such right, unless our prior written consent is obtained, the transfer fee provided for in subparagraph 11 C is paid, and the transfer conditions described in subparagraph 11 D are satisfied. Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which you turn over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Paragraph 11

1 Any change, pledge or seizure of any ownership interest in you that affects the ownership of 25% or more of you, or

2 Any change in the general partner of a franchisee that is a general, limited or other partnership entity, or

In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in subparagraph 11 F, and if we do not exercise such right, must apply for and obtain our consent to the transfer, pay the transfer fee provided for in subparagraph 11 C, and satisfy the transfer conditions described in subparagraph 11 D. In addition, you or the assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you

You may not place in, on or upon the location of the Store, or in any communication media or any form of advertising, any information relating to the sale of the Store or the rights under this Agreement, without our prior written consent

B Consent to Transfer We will not unreasonably withhold our consent to transfer, provided we determine that all of the conditions described in this Paragraph 11 have been satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in subparagraph 11 F must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) and other required information. The application must indicate whether you or an Operating Partner proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without our prior written consent and except upon

conditions acceptable to us. Any agreement used in connection with a transfer will be subject to our prior written approval, which approval will not be withheld unreasonably. You immediately must notify us of any proposed transfer and must submit promptly to us the application for consent to transfer. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void, your interest in this Agreement will be voluntarily abandoned, and it will provide us with the right to elect either to deem you in default and terminate this Agreement or to collect from you and the guarantors a transfer fee equal to two times the transfer fee provided for in subparagraph 11 C.

C Transfer Fee You must pay to us a transfer fee in the amount of 50% of our then-current initial franchise fee. The transfer fee is nonrefundable even if, for any reason, the proposed transfer does not occur.

D Conditions of Transfer We condition our consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity upon the following:

1 Assignee Requirements The assignee must meet all of our then-current requirements for our MENCHIE'S franchise program we are offering at the time of the proposed transfer and sign our then-current form of franchise agreement modified to reflect the term remaining under this Agreement.

2 Payment of Amounts Owed All amounts owed by you to us or your suppliers or any landlord for the Store premises and Authorized Location, or upon which we have any contingent liability must be paid in full.

3 Reports You must have provided all required reports to us in accordance with subparagraphs 9 J and K.

4 Modernization You must have complied with the provisions of subparagraph 5 E.

5 Guarantee In the case of an installment sale for which we have consented to you or any Operating Partner retaining a security interest or other financial interest in this Agreement or the business operated thereunder, you or such Operating Partner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

6 General Release You, each Operating Partner and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, your Store or the parties' business relationship, in the form we designate, releasing us.

7 Training The assignee must, at your or assignee's expense, comply with the training requirements of subparagraph 7 B.

8 Financial Reports and Data We have the right to require you to prepare and furnish to assignee and/or us such financial reports and other data relating to the Store and its operations reasonably necessary or appropriate for assignee and/or us to evaluate the Store and the proposed transfer. You agree that we have the right to confer with proposed assignees and furnish them with information concerning the Store and proposed transfer without being held liable to you, except for intentional misstatements made to an assignee.

Any information furnished by us to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Store and proposed transfer and must not be construed in any manner or form whatsoever as a financial performance representation or claims of success or failure

9 Other Conditions You must have complied with any other conditions that we reasonably require from time to time as part of our transfer policies

E Death, Disability or Incapacity If any individual who is an Operating Partner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as an Operating Partner, such person or entity must apply for our consent under subparagraph 11 B, pay the applicable transfer fee under subparagraph 11 C, and satisfy the transfer conditions under subparagraph 11 D, as in any other case of a proposed transfer, all within 180 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Store still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to us and we will not have a right of first refusal as set forth in subparagraph 11 F

F Right of First Refusal If you propose to transfer or assign this Agreement or your interest herein or in you or the business, in whole or in part, to any third party, including, without limitation, any transfer contemplated by subparagraph 11 E or any transfer described in subparagraph 11 A, you first must offer to sell to us your interest under the same terms. In the event of a bona fide offer from such third party, you must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you, of the terms of the offer. In the event the proposed transfer results from a transfer under subparagraphs 11 A 1 through 11 A 3, or your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, you first must offer to sell to us your interest in this Agreement and the land, building, equipment, furniture and fixtures, and any leasehold interest used in the operation of your Store. Unless otherwise agreed to in writing by us and you, the purchase price for our purchase of assets in the event of a transfer that occurs by a transfer under subparagraphs 11 A 1 through 11 A 2 or insolvency or bankruptcy filing will be established by a qualified appraiser selected by the parties and in accordance with the price determination formula established in subparagraph 14 B (the formula that includes the value of any goodwill of the business) in connection with an asset purchase upon expiration. In addition, unless otherwise agreed to in writing by us and you, the transaction documents, which we will prepare, will be those customary for this type of transaction and will include representations and warranties then customary for this type of transaction. If the parties cannot agree upon the selection of such an appraiser, a Judge of the United States District Court for the District in which the Authorized Location is located will appoint one upon petition of either party

You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report and all other information we have requested. We then have 30 days from our receipt of the statement setting forth the third-party offer or the appraiser's report and other requested information to accept the offer by delivering written notice of acceptance to you. Our acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to us, provided, however, we have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the 30-day period, you will be free for 90 days after such period to effect the disposition described in the statement delivered to us provided such transfer is in accordance with this Paragraph 11. You may effect no other sale or assignment of

you, this Agreement or the business without first offering the same to us in accordance with this subparagraph 11 F

G Transfer by Us We have the right to sell or assign, in whole or in part, our interest in this Agreement. In addition, we may assign certain of our obligations or duties under this Agreement to a sub-franchisor or area developer. For example, a sub-franchisor or area developer may assist us with or provide training or ongoing supervision to our franchisees.

DISPUTE RESOLUTION

12 The following provisions apply with respect to dispute resolution

A Mediation Before any party may bring an action in court or against the other, or commence an arbitration proceeding (except as noted in Section 12 C below), the parties must first meet to mediate the dispute. The mediation will be held in the city in which our headquarters are located at the time of the mediation. Any such mediation will be non-binding and conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes.

B Arbitration Except as qualified below, any dispute between you and us or any of our or your affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or your Store or Authorized Location must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the American Arbitration Association pursuant to its then-current commercial arbitration rules and procedures. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties must submit all claims to the jurisdiction of the courts. The arbitration must take place in the city where our headquarters is located at the time of the dispute. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least 5 years of significant experience in franchise law. A judgment may be entered upon the arbitration award by any state or federal court in the state where we maintain our headquarters or the state where your Store is located. The decision of the arbitrator will be final and binding on all parties to the dispute, however, the arbitrator may not under any circumstances (1) stay the effectiveness of any pending termination of this Agreement, (2) assess punitive or exemplary damages, or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set.

C Exceptions to Arbitration Notwithstanding Section 12 B, the parties agree that the following claims will not be subject to arbitration:

1 any action for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder.

2 any action in ejectment or for possession of any interest in real or personal property

D Attorneys' Fees The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, any lease or sublease for the Store or Authorized Location, or the business will be entitled to recover its reasonable attorneys' fees and costs

DEFAULT AND TERMINATION

13 The following provisions apply with respect to default and termination

A Defaults You are in default if we determine that you or any Operating Partner or guarantor has breached any of the terms of this Agreement or any other agreement between you and us, which without limiting the generality of the foregoing includes making any false report to us, intentionally understating or underreporting or failure to pay when due any amounts required to be paid to us, conviction of you, an Operating Partner, or a guarantor of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of any of the Trademarks or the Store, any felony, filing of tax or other liens that may affect this Agreement, voluntary or involuntary bankruptcy by or against you or any Operating Partner or guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors

B Termination by Us We have the right to terminate this Agreement in accordance with the following provisions

1 Termination After Opportunity to Cure Except as otherwise provided in this subparagraph 13 B or elsewhere in the Agreement (i) you will have 30 days from the date of our issuance of a written notice of default to cure any default under this Agreement, other than a failure to pay amounts due or submit required reports, in which case you will have 10 days to cure those defaults, (ii) your failure to cure a default within the 30-day or 10-day period will provide us with good cause to terminate this Agreement, (iii) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination, and (iv) the termination will be effective immediately upon our issuance of the written notice of termination

2 Immediate Termination With No Opportunity to Cure In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination any material misrepresentation or omission in your franchise application, your voluntary abandonment of this Agreement or the Authorized Location, the loss of your lease, the failure to timely cure a default under the lease, the loss of your right of possession or failure to reopen or relocate under subparagraph 5 D, the closing of the Store by any state or local authorities for health or public safety reasons, failure to locate a site for your Store within 24 months after signing this Agreement, failure to complete our initial training program, any unauthorized use of the Confidential Information, insolvency of you, an Operating Partner, or guarantor, you, an Operating Partner, or guarantor making an assignment or entering into any similar arrangement for the benefit of creditors, any default under this Agreement that materially impairs the goodwill

associated with any of the Trademarks, conviction of you, any Operating Partners, or guarantors of (or pleading no contest to) any felony regardless of the nature of the charges, or any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of the Trademarks or the Store, intentionally understating or underreporting Gross Sales, Royalty Fees or Marketing Fees or any understatement or 2% variance on a subsequent audit within a 3 year period under subparagraph 9 J, violation by you of the provisions of subparagraph 15 P, any unauthorized transfer or assignment in violation of Paragraph 11 or any default by you that is the third same or similar default within any 12-month consecutive period

3 **Immediate Termination After No More than 24 Hours to Cure** In the event that a default under this Agreement occurs that violates any health safety or sanitation law or regulation, violates any system standard as to food handling, cleanliness, health and sanitation, or if the operation of the Store presents a health or safety hazard to your customers or to the public (i) you will have no more than 24 hours after we provide written notice of the default to cure the default, and (ii) if you fail to cure the default within the 24 hour period, this Agreement will terminate effective immediately on our issuance of written notice of termination

4 **Effect of Other Laws** The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you

C **Termination by You** You may terminate this Agreement as a result of a breach by us of a provision of this Agreement provided that (i) you provide us with written notice of the breach that identifies the grounds for the breach, and (ii) we fail to cure the breach within 30 days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective 30 days after our receipt of your written notice of breach. Your termination of this Agreement under this Paragraph will not release or modify your Post-Term obligations under Paragraph 14 of this Agreement

POST-TERM OBLIGATIONS

14 Upon the expiration or termination of this Agreement, or the expiration of any Interim Period

A **Reversion of Rights, Discontinuation of Trademark Use** All of your rights to the use of the Trademarks and all other rights and licenses granted herein and the right and license to conduct business under the Trademarks at the Authorized Location will revert to us without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. Upon our demand, you must assign to us or our assignee your remaining interest in any lease then in effect for the Store (although we will not assume any past due obligations). You must immediately comply with the post-term noncompete obligations under subparagraph 10 D, cease all use and display of the Trademarks and of any proprietary material (including the Operations Manual) and of all or any portion of point-of-sale materials furnished or approved by us, assign all right, title and interest in the telephone numbers for the Store and cancel or assign, at our option, any assumed name rights or equivalent registrations filed with authorities. You must pay all sums due to us or our designees and all sums you owe to third parties that have been guaranteed by us. You must immediately return to us, at your expense, all copies of the Operations

Manual, Confidential Information, and customer lists then in your possession or control or previously disseminated to your employees and continue to comply with the confidentiality provisions of subparagraph 6 J. You must promptly at your expense and subject to subparagraph 14 B, remove or obliterate all Store signage, displays or other materials (electronic or tangible) in your possession at the Authorized Location or elsewhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks and so alter the appearance of the Store as to differentiate the Store unmistakably from duly licensed stores identified by the Trademarks. If, however, you refuse to comply with the provisions of the preceding sentence within 30 days, we have the right to enter the Authorized Location and remove all Store signage, displays or other materials in your possession at the Authorized Location or elsewhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks, and you must reimburse us for our costs incurred. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement (or the expiration of any Interim Period), you will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us that expressly or by their nature survive the expiration or termination of this Agreement.

B Purchase Option We have the right to purchase or designate a third party that will purchase all or any portion of the assets of your Store that are owned by you or any of your affiliates including, without limitation, the land, building, equipment, fixtures, signage, furnishings, supplies, leasehold improvements, and inventory of the Store at a price determined by a qualified appraiser (or qualified appraisers if one party believes it is better to have a real estate appraiser appraise the value of the land and building and a business appraiser appraise the Store's other assets) selected with the consent of both parties, provided we give you written notice of our preliminary intent to exercise our purchase rights under this Paragraph within 30 days after the date of the expiration or termination of this Agreement, or the expiration of any Interim Period. If the parties cannot agree upon the selection of an appraiser(s), one or both will be appointed by a Judge of the United States District Court for the District in which the Authorized Location is located upon petition of either party.

The price determined by the appraiser(s) will be the reasonable fair market value of the assets based on their continuing use in, as, and for the operation of a MENCHIE'S Store and the appraiser will designate a price for each category of asset (e.g., land, building, equipment, fixtures, etc.), but shall not include the value of any goodwill of the business, as the goodwill of the business is attributable to the Trademarks and the System.

Within 45 days after our receipt of the appraisal report, we or our designated purchaser will identify the assets, if any, that we intend to purchase at the price designated for those assets in the appraisal report. We or our designated purchaser and you will then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased, in a commercially reasonable time and manner. We and you will each pay one-half of the appraiser's fees and expenses. Our interest in the assets of the Store that are owned by you or your affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon our or our designated purchaser's exercise of the purchase option and tender of payment, you agree to sell and deliver, and cause your affiliates to sell and deliver, the purchased assets to us or our designated purchaser, free and clear of all encumbrances, and to execute and deliver, and cause your affiliates to execute and deliver, to us or our designated purchaser a bill of sale therefor and such other documents as may be commercially reasonable and customary to effectuate the sale and transfer of the assets being purchased.

If we do not exercise our option to purchase under this subparagraph, you may sell or lease the Store premises to a third party purchaser, provided that your agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by us as a third party beneficiary, pursuant to which the purchaser agrees, for a period of 2 years after the expiration or termination of this Agreement, or the expiration of any Interim Period, not to use the premises for the operation of a store business that has a menu or method of operation similar to that employed by our company-owned or franchised stores

C Claims You and your Operating Partners and guarantors may not assert any claim or cause of action against us relating to this Agreement or the MENCHIE's business after the shorter period of the applicable statute of limitations or one year following the effective date of termination of this Agreement, provided that where the one-year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations

GENERAL PROVISIONS

15 The parties agree to the following provisions

A Severability Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy

B Waiver/Integration No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify the Schedules and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us

This Agreement together with all schedules, addenda and appendices to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document we furnished to you

You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law

C Notices Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein must be in writing and signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or termination, by registered or certified mail, and addressed as follows

1 If intended for us, addressed to Menchie's Group, Inc, 17555 Ventura Boulevard, Suite 200, Encino, California 91316,

2 If intended for you, addressed to you at the address set forth on the Data Sheet or at the Authorized Location, or,

in either case, to such other address as may have been designated by written notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this subparagraph

D Authority Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by our President or one of our authorized Vice Presidents

E References If the franchisee is 2 or more individuals, the individuals are jointly and severally liable, and references to you in this Agreement includes all of the individuals. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement

F Guarantee Your spouse and all persons owning any interest in Franchisee, if Franchisee is a corporation, limited liability company, partnership or other legal entity, must execute the form of undertaking and guarantee at the end of this Agreement. Any person or entity that at any time after the date of this Agreement becomes an owner pursuant to the provisions of Paragraph 11 or otherwise must execute the form of undertaking and guarantee at the end of this Agreement

G Successors/Assigns Subject to the terms of Paragraph 11 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties

H Interpretation of Rights and Obligations The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties

1 **Applicable Law and Waiver** Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Paragraph 12 of this Agreement, the parties' rights under this Agreement, and the relationship between the parties is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state where your Store is located

2 **Our Rights** Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions

of this Agreement, although this right does not modify the requirements of subparagraph 5 E and other express limitations set forth in this Agreement

3 Our Reasonable Business Judgment Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System

I Venue Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Paragraph 12, must be brought in the state or federal district court located in the county or district encompassing our headquarters. Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this subparagraph will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this subparagraph, and with a complete understanding thereof, agree to be bound in the manner set forth

J Jury Waiver All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement

K Waiver of Punitive Damages You and your affiliates and we agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained

L Relationship of the Parties You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. Without limiting the generality of the foregoing, we shall have no liability in connection with or related to the products or services rendered to you by any third party, even if we required, approved or consented to the product or service or designated or approved the supplier

M Force Majeure In the event of any failure of performance of this Agreement according to its terms by any party, the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of said party. Such causes include, but are not limited to, strikes, wars, riots and acts of government except as may be specifically provided for elsewhere in this Agreement

N Adaptations and Variances Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the Menu Items and other standards, specifications, and requirements for any franchised store or franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such store or store, franchisee's business or the System. We are not required to grant to you a like or other variation as a result of any variation from standard menus, specifications or requirements granted to any other franchisee. You acknowledge that you are aware that our other franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.

O Notice of Potential Profit We may from time to time make available to you or require you to purchase goods, products and/or services for use in your Store on the sale of which we may make a profit. Further, we may from time to time receive consideration from suppliers and/or manufacturers in respect to sales of goods, products or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we are entitled to said profits and/or consideration.

P Interference with Employment Relations During the term of this Agreement, or during any Interim Period, neither we nor you may employ or seek to employ, directly or indirectly, any person who is at the time or was at any time during the prior 6 months employed in any type of managerial position by the other party or any of its affiliates, or by any franchisee in the system, unless the violating party compensates the former employer for all costs and expenses incurred in losing and replacing the employee up to a maximum of \$25,000, plus attorneys' fees and expenses. This subparagraph will not be violated if (i) at the time we or you employ or seek to employ the person, the former employer has given its written consent or (ii) we employ or seek to employ the person in connection with the transfer of the Store to us. The parties acknowledge and agree that any franchisee from whom an employee was hired by you in violation of this subparagraph shall be a third-party beneficiary of this provision, but only to the extent they may seek compensation from you.

Q Effective Date We will designate the "Effective Date" of this Agreement in the space provided on the Data Sheet. If no Effective Date is designated on the Data Sheet, the Effective Date is the date when we sign this Agreement. However, as described in subparagraph 5 A, you do not have the right to, and may not, open and commence operation of a Store at the Authorized Location until we notify you that you have satisfied all of the pre-opening conditions set forth in this Agreement.

R Anti-Terrorism Provision You and each Operating Partner represent and warrant to us that (a) neither you nor any Operating Partner is named, either directly or by an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control currently located at www.treas.gov/offices/enforcement/ofac/, (b) you and each Operating Partner will take no action that would constitute a violation of any applicable laws against corrupt business practices, against money laundering and against facilitating or supporting persons or entities who conspire to commit acts of terror against any person or entity, including as prohibited by the U.S. Patriot Act (currently located at <http://www.epic.org/privacy/terrorism/hr3162.html>),

U S Executive Order 13244 (currently located at <http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>) or any similar laws, and (c) you and each Operating Partner shall immediately notify us in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement on the dates written below

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

Schedule A to the Franchise Agreement

Data Sheet

1 **Franchisee** _____

2 **Operating Partner** You represent and warrant to us that the following person or entity, and only the following person or entity, will be your Operating Partner

Name	Home Address	Percentage of Ownership

3 **Authorized Location** As stated in subparagraph 2 A of the Franchise Agreement, the Authorized Location is _____

4 **Designated Territory** As stated in subparagraph 2 C of the Franchise Agreement, the Designated Territory under this Agreement shall mean _____

Effective Date _____

[Signatures on following page]

By signing below you acknowledge that the Authorized Location noted above was chosen and approved by you

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

Schedule B to the Franchise Agreement

Trademarks

You have the right to use the following Trademarks in accordance with the terms of the Franchise Agreement

Trademark	Registration/Application Number	Registration/Application Date
MENCHIE'S	3,519,334	October 21, 2008
MENCHIE'S (Design) 	3,733,426	January 5, 2010
MENCHIE'S GUY (Design) 	3,704,602	November 3, 2009
MIX WEIGH PAY	4,049,126	November 1, 2011
COME SMILE WITH US	85/289,517	April 7, 2011
MY SMILEAGE	4,180,405	July 24, 2012
SMILEAGE	4,180,406	July 24, 2012
WHAT'S YOUR MIX	4,180,407	July 24, 2012
WE MAKE YOU SMILE	85/289,507	April 7, 2011
3-DIMENSIONAL CONFIGURATION OF RESTAURANT INTERIOR (Design)	85/456,699	October 26, 2011

We may amend this Schedule B from time to time in order to make available additional Trademarks or to delete those Trademarks that become unavailable. You agree to use only those Trademarks that are then currently authorized.

The Trademarks must be used only in the manner that we specify. No deviations will be permitted.

Schedule C to the Franchise Agreement

Addendum to Lease

This Addendum to Lease ("Addendum"), dated _____, 20_____, is entered into between _____ ("Landlord") and _____ ("Tenant")

R E C I T A L S

The parties have entered into a Lease Agreement, dated _____, 20_____, (the "Lease"), pertaining to the premises located at _____ (the "Premises")

The Landlord acknowledges that Tenant intends to operate a MENCHIE'S® store ("Store") from the Premises pursuant to Tenant's Franchise Agreement with Menchie's Group, Inc ("Franchisor") dated _____ (the "Franchise Agreement"), whereby Tenant will utilize the MENCHIE'S name and the MENCHIE'S Marks as Franchisor may designate in the operation of the Store at the Premises

Landlord further acknowledges that Franchisor has approved Tenant's request to locate its Store on the Premises that is the subject of the Lease, provided that the conditions and agreements set forth in this Addendum are made a part of the Lease

A G R E E M E N T S

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Lease as follows

1 Remodeling and Decor Landlord agrees that Tenant has the right to remodel, equip, paint and decorate the interior of the Premises and to display such Marks and signs on the interior and exterior of the Premises as Tenant is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Tenant may operate a Store on the Premises. Any remodel of the building and/or its signs shall be subject to Landlord's prior and reasonable approval

2 Assignment By Tenant

(a) Tenant does not have the right to sublease or assign the Lease to any third party without Landlord's and Franchisor's written approval

(b) So long as Tenant is in good standing under the Lease, Tenant has the right to assign all of its right, title and interest in the Lease to Franchisor or its affiliates during the term of the Lease, including any extensions or renewals, without first obtaining Landlord's consent. No assignment will be effective, however, until Franchisor or its designated affiliate gives Landlord written notice of its acceptance of the assignment. Franchisor will be responsible for the Lease obligations incurred after the effective date of the assignment

(c) If Franchisor elects to assume the Lease, Franchisor shall not be required to begin paying rent until Landlord delivers possession of the Premises to the Franchisor. At any time until the Landlord delivers possession of the Premises, Franchisor shall have the right to rescind the election to assume by written notice to Landlord

3 Default and Notices to Franchisor

(a) Landlord shall send Franchisor copies of all notices of default under the Lease at the same time it provides Tenant with such notice. If Tenant fails to cure any defaults within the period specified in the Lease, Landlord shall promptly give Franchisor written notice thereof, specifying the defaults that Tenant has failed to cure. Franchisor has the right to unilaterally assume the Lease if Tenant fails to cure. Franchisor shall have 15 days from the date Franchisor receives such notice to exercise, by written notice to Landlord and Tenant, its right for Franchisor or its affiliate designee ("Franchisor Entity"), to assume the Lease. Franchisor shall have an additional 30 days from the expiration of Tenant's cure period in which to cure the default or violation.

(b) If Franchisor elects to assume the Lease, the Franchisor Entity shall not be required to cure defaults and/or to begin paying rent until Landlord delivers possession of the Premises to the Franchisor Entity. At any time until Landlord delivers possession of the Premises, Franchisor shall have the right to rescind the election to assume by written notice to Landlord.

4 Termination of Franchise Agreement, Expiration or Non-Renewal of Lease

(a) If the Franchise Agreement is terminated for any reason during the term of the Lease or any renewal or extension thereof, and if Franchisor desires to assume the Lease, Franchisor shall promptly give Landlord written notice thereof. Within 30 days after receipt of such notice, Landlord shall give Franchisor written notice specifying any defaults of Tenant under the Lease. If Franchisor elects to assume the Lease, Franchisor must cure said defaults consistent with paragraph 3 above.

(b) If the Lease contains term renewal or extension right(s) and if Tenant allows the term to expire without exercising said right(s), Landlord shall give Franchisor written notice thereof, and a Franchisor Entity shall have the option, for 30 days after receipt of said notice, to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If a Franchisor Entity elects to exercise such right(s), it shall so notify Landlord in writing, whereupon Landlord and the Franchisor Entity shall promptly execute and deliver an agreement whereby the Franchisor Entity assumes the Lease, effective at the commencement of the extension or renewal term.

5 Access to Premises Following Expiration or Termination of Lease Upon the expiration or termination of the Lease, Landlord will cooperate with and assist Franchisor in gaining possession of the Premises and, if the Franchisor Entity does not elect to assume the Lease for the Premises consistent with subparagraphs 3(a) or 4(b) above, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord except for any damages caused by Franchisor's willful misconduct or Net negligence, to remove all signs and all other items identifying the Premises as a MENCHIE'S Store and to make such other modifications (such as repainting) as are reasonably necessary to protect the MENCHIE'S marks and system, and to distinguish the Premises from MENCHIE'S Stores. In the event Franchisor exercises its option to purchase assets of Tenant, Landlord must permit Franchisor to remove all such assets being purchased by Franchisor.

6 Assumption and Subsequent Assignment By Franchisor If Franchisor elects to assume the Lease under paragraph 2, or unilaterally assumes the Lease as provided for in paragraphs 3 or 4, Landlord and Tenant agree that

(a) Tenant will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to the date of assignment and assumption. Further, Tenant shall be and remain liable to Landlord for all of its obligations under the Lease, notwithstanding any assignment or assumption of the Lease by Franchisor. Franchisor shall be entitled to recover from Tenant all amounts it pays to Landlord to cure Tenant's defaults under the Lease, including interest and reasonable collection costs.

(b) Franchisor, upon taking possession of the Premises, shall cure any default specified by Landlord within the timeframes noted herein and shall execute and deliver to Landlord its assumption of Tenant's rights and obligations under the Lease. Franchisor shall pay, perform and be bound by all the duties and obligations of the Lease applicable to Tenant, except that the Franchisor may elect not to assume or be bound by the terms of any Amendment to the Lease executed by Tenant without obtaining Franchisor's prior written approval, which shall not be unreasonably withheld or delayed.

(c) At or after the time Franchisor assumes Tenant's interests under the Lease, the Franchisor may, at any time, assign such interests or sublet the Premises to a MENCHIE'S franchisee. Any such assignment shall be subject to the prior written consent of the Landlord, which Landlord shall not unreasonably withhold as it relates to a creditworthy franchisee who otherwise meets Franchisor's then-current standards and requirements for franchisees and agrees to operate the Store as a MENCHIE'S Store pursuant to a Franchise Agreement with Franchisor. Upon receipt by Landlord of an assumption agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of Tenant to be performed under the Lease, the Franchisor shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgement of such release by Landlord.

7 Access to Premises During Lease As provided in the Franchise Agreement, Franchisor shall have the right to access the Premises during continuance of the Lease to ensure compliance by Tenant with its obligations under the Franchise Agreement.

8 Additional Provisions

(a) Landlord hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Tenant plans to operate its business and the Tenant would not lease the Premises without this Addendum.

(b) Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and the Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liability of or against Franchisor or any affiliate of Franchisor, unless and until the Lease is assigned to, and accepted in writing by, Franchisor.

(c) All notices to Franchisor required by this Addendum must be in writing and sent by registered or certified mail, postage prepaid, to the following address

Menchie's Group, Inc
17555 Ventura Boulevard, Suite 200
Encino, California 91316

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent

9 Sales Reports If requested by Franchisor, Landlord will provide Franchisor with whatever information Landlord has regarding Tenant's sales from the Store

10 Conflicts In the event of a conflict between the terms of the Lease and the terms set forth in this Addendum, the terms set forth herein shall govern In the event of a conflict between notices provided to Landlord by Tenant and Franchisor, the notices of Franchisor shall prevail

11 Miscellaneous Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party hereto This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto This Addendum sets forth the entire agreement with regard to the rights of Franchisor, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum This Addendum may only be amended by written agreement duly executed by each party

[Signatures on following page]

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as of _____, _____

LANDLORD

By _____

Print Name _____

Its _____

FRANCHISEE

By _____

Print Name _____

Its _____

By _____

Print Name _____

Its _____

Schedule D to the Franchise Agreement

Electronic Transfer of Funds Authorization

Franchisee _____

Location _____

Date _____

NEW	CHANGE

Attention Bookkeeping Department

The undersigned hereby authorizes Menchie's Group, Inc or any affiliated entity (collectively, "Franchisor") to initiate weekly ACH debit entries against the account of the undersigned with you in payment of amounts for Royalty Fees, Advertising Fees or other amounts that become payable by the undersigned to Franchisor. The dollar amount to be debited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit entry initiated by Franchisor.

This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this letter of authorization.

Please honor ACH debit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

Sincerely yours,

*** We also need a VOIDED Check ***

Account Name _____

Bank Name _____

Street Address _____

Branch _____

City _____ State _____ Zip Code _____

Street Address _____

Telephone Number _____

City _____ State _____ Zip Code _____

By _____

Bank Telephone Number _____

Its _____

Bank's Account Number _____

Date _____

Customer's Account Number _____

Schedule E to the Franchise Agreement

Telephone Assignment Agreement

This Assignment Agreement (the "Assignment") is made, and entered into, between Menchie's Group, Inc., a California Corporation ("Menchie's") and the undersigned MENCHIE'S Franchisee ("Franchisee")

RECITALS

A Menchie's has developed a unique system for the establishment and operation of a soft-serve frozen yogurt and ice cream store which also features desserts and beverage items for retail sale to the public (the "System"),

B Menchie's and Franchisee have entered into a Franchise Agreement dated _____ (the "Franchise Agreement"), pursuant to which Franchisee was granted the right to operate a MENCHIE'S Store under the System, and

C It is the desire of and in the best interests of Menchie's and the System that in the event the Franchise Agreement terminates or expires, the telephone numbers, telephone directory listings and internet addresses used by Franchisee in connection with the operation of its MENCHIE'S Store are assigned to Menchie's

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and Menchie's agreeing to enter into the Franchise Agreement, Menchie's and Franchisee agree as follows

1 Franchisee hereby agrees to assign to Menchie's (i) those certain telephone numbers and regular, classified or other telephone directory listings used by Franchisee in connection with operating the MENCHIE'S Store (collectively, the "Numbers and Listings") and (ii) those certain Internet Web Site addresses ("URLs") associated with the MENCHIE'S trademarks and service marks and used from time to time by Franchisee in connection with the operation of its MENCHIE'S Store

2 This Assignment is for collateral purposes only and, except as specified herein, Menchie's will have no liability or obligation of any kind whatsoever arising from or in connection with Franchisee's use of the Numbers and Listings and the URLs, unless and until Menchie's notifies the telephone company and the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as "Telephone Company") and Franchisee's Internet service provider ("ISP") to effectuate the assignment pursuant to the terms hereof

3 Upon termination or expiration of the Franchise Agreement (without renewal or extension), Menchie's will have the right and is hereby empowered to effectuate the assignment of the Numbers and Listings and the URLs to itself or to any third party it designates. In the event Menchie's exercises its assignment rights Franchisee will have no further right, title or interest in the Numbers and Listings or the URLs, provided, however, Franchisee will remain liable to the Telephone Company and the ISP for any and all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment

4 Franchisee acknowledges and agrees that as between Menchie's and Franchisee, upon termination or expiration of the Franchisee Agreement, Menchie's will have the sole right to and interest in the Numbers and Listings and the URLs, and Franchisee appoints Menchie's as Franchisee's true and lawful attorney-in-fact to direct the Telephone Company and the ISP to assign the same to Menchie's and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Telephone Company and the ISP to assign the Numbers and Listings and the URLs to Menchie's. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Numbers and Listings and the URLs to Menchie's, Menchie's will direct the Telephone Company and the ISP to effectuate the assignment contemplated hereunder to Menchie's.

5 The parties agree that the Telephone Company and the ISP may accept Menchie's written direction, the Franchise Agreement or this Assignment as conclusive proof of Menchie's exclusive rights in and to the Numbers and Listings and the URLs upon such termination or expiration of the Franchise Agreement and that such assignment shall be made automatically and effective immediately upon Telephone Company's and ISP's receipt of such notice from Menchie's or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Menchie's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

Agreed to this ____ day of _____, 20____

[Signatures on following page]

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

Schedule F to the Franchise Agreement

Personal Guarantee and Agreement to be Bound
Personally by the Terms and Conditions
of the Franchise Agreement

In consideration of the execution of the Franchise Agreement by Menchie's Group, Inc., and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the arbitration and other dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including but not limited to the non-compete provisions in subparagraph 10 D, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

The undersigned waives (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed, (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed, and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person, and (2) such liability will not be diminished, relieved or otherwise affected by franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of our successors and assigns.

FRANCHISEE _____

PERSONAL GUARANTORS

Individually _____
Print Name _____
Address _____
City _____ State _____ Zip Code _____
Telephone _____

Individually _____
Print Name _____
Address _____
City _____ State _____ Zip Code _____
Telephone _____

Individually		
Print Name		
Address		
City	State	Zip Code
Telephone		

Individually		
Print Name		
Address		
City	State	Zip Code
Telephone		

Schedule G to the Franchise Agreement

Addendum to MENCHIE'S Franchise Agreement

This Addendum to the Franchise Agreement ("Addendum"), dated _____, 20____, is entered into between _____ ("Franchisee"), and Menchie's Group, Inc ("Franchisor")

RECITALS

A The parties have entered into _____ separate Franchise Agreements, all dated _____, 20____, relating to the development and operation of _____ MENCHIE'S stores around the following locations (1) _____ (the "_____ Agreement"), (2) _____ (the "_____ Agreement"), (3) _____ (the "_____ Agreement"), (4) _____ (the "_____ Agreement"), and (5) _____ (the "_____ Agreement")

B The parties desire to amend Sections 2 A and 2 B of the _____ Agreement in accordance with the terms and conditions contained in this Addendum

AGREEMENT

Franchisor and Franchisee agree that the _____ Agreement is hereby modified as follows

1 Paragraph 2 A is deleted in its entirety and replaced with the following

A Authorized Location We grant to you the right and license to establish and operate a retail Store identified by the MENCHIE'S Trademarks or such other marks as we may direct, at the location identified on the Data Sheet, which location must be designated within _____ days from the date of this Agreement (the "Authorized Location") When a location has been designated by you and you have received a non-objection (approval) notice from us, it will become part of this subparagraph 2 A as if originally stated If an Authorized Location is not designated by you and approved by us within _____ days from the date of this Agreement, we may terminate this Agreement You accept the license and undertake the obligation to operate the Store at the Authorized Location using the Trademarks and the System in compliance with the terms and conditions of this Agreement

After you sign this Agreement but before you comment the site selection process you must satisfactorily complete our Circle of Success Program The Circle of Success Program consists of eight separate telephone sessions which last 1 hour each It will take you approximately 2 weeks (8 hours total) to complete the Circle of Success Program

2 Paragraph 2 B is deleted in its entirety and replaced with the following

B Opening You agree that the Store will be open and operating in accordance with the requirements of subparagraph 5 A within _____ to _____ days from the date of this Agreement, unless we authorize in writing an extension of time

Before you open your Store for business, we will inspect your Store and provide you with a Certificate of Opening

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement on the dates written below

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

Schedule H to the Franchise Agreement

Acknowledgment Addendum to MENCHIE'S Franchise Agreement

As you know, you and we are entering into a Franchise Agreement for the operation of a MENCHIE'S franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations

- 1 Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least fourteen calendar days prior to signing the Franchise Agreement? Check one Yes No If no, please comment _____
- 2 Have you studied and reviewed carefully our Disclosure Document and Franchise Agreement? Check one Yes No If no, please comment _____
- 3 Did you understand all the information contained in both the Disclosure Document and Franchise Agreement? Check one Yes No If no, please comment _____
- 4 Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document? Check one No Yes If yes, please state in detail the oral, written or visual claim or representation _____
- 5 Do you understand that the site selection process will take many months and, in some instances, more than one year? Do you understand that the Initial Franchise Fee is not refundable in the event you are unable to locate a site that meets our site selection criteria? Check one No Yes If no, please comment _____
- 6 Did any employee or other person speaking on behalf of Menchie's Group, Inc. make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document? Check one Yes No If yes, please comment _____
- 7 Except as stated in Item 19, did any employee or other person speaking on behalf of Menchie's Group, Inc. make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any MENCHIE'S store, location or business, or the likelihood of success at your franchised business? Check one Yes No If yes, please state in detail the oral, written or visual claim or representation _____

8 Do you understand that that the franchise granted is for the right to operate a Store at the Authorized Location within the Designated Territory only and that we have the right to issue franchises or operate competing businesses for or at locations outside your Designated Territory and through alternate channels of Distribution? Check one Yes No If no, please comment _____

9 Do you understand that the Franchise Agreement and Disclosure Document contain the entire agreement between you and us concerning the franchise for the Store, meaning that any prior oral or written statements not set out in the Franchise Agreement or Disclosure Document will not be binding? Check one Yes No If no, please comment _____

10 Do you understand that the success or failure of your Store will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the MENCHIE'S trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Store may change? Check one Yes No If no, please comment _____

11 Do you understand that any training, support, guidance or tools we provide to you as part of the franchise are for the purpose of protecting the MENCHIE'S brand and Trademarks and to assist you in the operation of your Business and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your Business, including your sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of your employees and all other employment and employee related matters? Check One Yes No If no, please comment _____

12 Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in Subparagraph 10 D and that an injunction is an appropriate remedy to protect the interest of the MENCHIE'S system if you violate the covenant(s)? Further, do you understand that the term "you" for purposes of the non-compete covenants is defined broadly in subparagraph 10 D, such that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default and termination of the Franchise Agreement? Check one Yes No If no, please comment _____

13 On the receipt pages of your Disclosure Document you identified _____

this franchise sales process Are the franchise sellers identified above the only franchise sellers involved with this transaction? Check one Yes No If no, please identify any

additional franchise sellers involved with this transaction _____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH

NOTE IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS OPERATING PARTNERS MUST EXECUTE THIS ACKNOWLEDGMENT

Signed _____
Print Name _____
Date _____

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

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

Exhibit D

MULTI UNIT AGREEMENT

MENCHIE'S® Multi Unit Agreement

**Menchie's Group, Inc
17555 Ventura Boulevard, Suite 200
Encino, California 91316**

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APPENDICES

- A DATA SHEET
- B DEVELOPMENT SCHEDULE

**MENCHIE'S®
MULTI UNIT AGREEMENT**

This Multi Unit Agreement is made this ____ day of _____, 20____, between MENCHIE'S GROUP, INC, a California corporation with its principal business located at 17555 Ventura Boulevard, Suite 200, Encino, California 91316 ("we" or "us"), and "Developer" or "you" as identified on the Data Sheet attached as Appendix A (the "Data Sheet"). If the developer is a corporation, partnership or limited liability company, certain provisions of the Agreement also apply to your owners and will be noted.

RECITALS

A We have developed a unique system for the establishment and operation of a soft-serve frozen yogurt and ice cream store which also features desserts and beverage items for retail sale to the public,

B We own the MENCHIE'S Trademark and other trademarks used in connection with the operation of a MENCHIE'S store,

C You desire to develop and operate several MENCHIE'S stores, and

D We have agreed to grant you the right to develop several MENCHIE'S stores subject to the terms and conditions of this Agreement

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows

DEFINITIONS

1 For purposes of this Agreement, the terms below have the following definitions

A "Gross Sales" includes the total revenues and receipts from the sale of all products, services and merchandise sold in your Store, whether under any of the Trademarks or otherwise, including any catering or delivery services, cover charges or fees, in your Store or on its premises and all revenues derived from any type of authorized vending machines. Gross Sales excludes sales tax

B "Menu Items" means the soft-serve frozen yogurt, ice cream, desserts, beverages, and other products prepared according to our specified recipes and procedures, as we may modify from time to time

C "Manual" or "Operations Manual" means any collection of written, video, audio and/or software media (including materials distributed electronically), regardless of title and consisting of various subparts and separate components, all of which we or our agents produce and which contain specifications, standards, policies, procedures and recommendations for your MENCHIE'S Store, all of which we may change from time to time

D "Stores" means the MENCHIE'S Stores you develop and operate pursuant to this Agreement

E "System" means the MENCHIE'S System, which consists of distinctive food and beverage products prepared according to special and confidential recipes and formulas with unique storage, preparation, service and delivery procedures and techniques, offered in a setting of distinctive exterior and interior layout, design and color scheme, signage, furnishings and materials and using certain distinctive types of facilities, equipment, supplies, ingredients, business techniques, methods and procedures, all of which we may modify and change from time to time

F "Trademarks" means the MENCHIE'S Trademarks that have been registered in the United States and elsewhere and the trademarks, service marks and trade names set forth in each Franchise Agreement, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Stores. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Stores from time to time

GRANT OF DEVELOPMENT RIGHTS

2 The following provisions control with respect to the rights granted hereunder

A We grant to you, under the terms and conditions of this Agreement, the right to develop and operate _____ () MENCHIE'S stores (the "Stores")

B You are bound by the development schedule ("Development Schedule") set forth in Appendix B. Time is of the essence for the development of each Store in accordance with the Development Schedule. Each Store must be developed and operated pursuant to a separate Franchise Agreement that you enter into with us pursuant to Section 4 B below

C The rights granted under this Agreement are limited to the right to develop and operate Stores and do not include any right to (i) sell products and Menu Items identified by the Trademarks at any location other than the Stores, (ii) sell products or Menu Items through alternative channels or methods of distribution, including the Internet (or any other existing or future form of electronic commerce), (iii) sell products and Menu Items identified by the Trademarks to any person or entity for resale or further distribution, or (iv) exclude, control or impose conditions on our development or operation of franchised, company or affiliate owned stores at any time or at any location. You may not use the word MENCHIE'S or any of the other Trademarks as part of the name of your corporation, partnership, limited liability company or other similar entity

You acknowledge and agree that we have the right to operate and franchise others the right to operate stores or any other business under the Trademarks or any trademarks other than the MENCHIE'S Trademarks without paying you any compensation. We also have the right to offer, sell or distribute any products or services associated with the System (now or in the future) under the Trademarks or any other trademarks, service marks or trade names or through any distribution channel or method, all without paying you any compensation. The distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, wholesale, business or industry locations (e.g. manufacturing site, office building), military installations, military commissaries or the Internet (or any other existing or future form of electronic commerce)

You acknowledge and agree that we have the sole and exclusive right to develop or franchise MENCHIE'S stores at the following locations (1) military bases, (2) public

transportation facilities, (3) sports facilities, including race tracks, (4) student unions or other similar buildings on college or university campuses, (5) amusement and theme parks, and (6) community and special events ("Special Sites")

D This Agreement is not a Franchise Agreement and you have no right to use in any manner the Trademarks by virtue of this Agreement. You have no right under this Agreement to sublicense or subfranchise others to operate a business or store or use the System or the Trademarks.

MULTI UNIT FEE

3 You must pay a Multi Unit Fee as described below

A As a Developer, you will pay a lower Initial Franchise Fee for each Store you agree to develop under the terms of this Agreement. Specifically, if you agree to develop three Stores, your Initial Franchise Fee for each Store will be \$32,000. If you agree to develop five Stores, your Initial Franchise Fee for each Store will be \$25,000.

As consideration for the rights granted in this Agreement, you must pay us a "Multi Unit Fee" based upon the number of Stores you agree to develop and operate. If you agree to open three Stores, your Multi Unit Fee will be \$96,000 (\$32,000 x 3). If you agree to open five Stores, your Multi Unit Fee will be \$125,000 (\$25,000 x 5).

You will pay the Multi Unit Fee as follows (i) one-half of the total Multi Unit Fee upon the signing of this Agreement, or (ii) the total Multi Unit Fee upon the signing of this Agreement. The Multi Unit Fee is consideration for this Agreement and not consideration for any Franchise Agreement, is fully earned by us upon receipt and is non-refundable.

If you pay one-half of the total Multi Unit Fee upon the signing of this Agreement, the portion of the Multi Unit Fee paid that is attributable to each Store you agree to develop under the terms of this Agreement will be credited against the Initial Franchise Fee due for each Store upon the signing of each individual Franchise Agreement. The remaining balance of the Initial Franchise Fee for each Store will be due when you sign a Franchise Agreement for the Store, as specified in Section 3 B. Under this option you will develop and open each Store before beginning the development of the next Store.

If you choose to pay the total Multi Unit Fee upon signing this Agreement (and, thereby the entire Initial Franchise Fee for each Store you agree to open), you also will sign a Franchise Agreement for each Store you agree to open contemporaneous with the signing of this Agreement. Under this option, if you agree to open three Stores, you will have two years to open all three Stores. If you agree to open five Stores, you will have three years to open all five Stores.

B You must submit a separate application for each Store to be established by you as further described in Section 4. Upon our receipt and review of the application, a separate Franchise Agreement must be executed for each such Store, at which time the balance of the Initial Franchise Fee for that Store is due and owing. Such payment represents the balance of the appropriate Initial Franchise Fee, as described above in Section 3 A. Upon the execution of each Franchise Agreement, the terms and conditions of the Franchise Agreement control the establishment and operation of such Store.

DEVELOPMENT SCHEDULE

4 The following provisions control with respect to your development rights and obligations

A You are bound by and strictly must follow the Development Schedule. By the dates set forth under the Development Schedule, you must enter into Franchise Agreements with us pursuant to this Agreement for the number of Stores described under the Development Schedule. You also must comply with the Development Schedule requirements regarding (i) the opening date for each Store and (ii) the cumulative number of Stores to be open and continuously operating for business. If you fail to either execute a Franchise Agreement or to open a Store according to the dates set forth in the Franchise Agreement, we have the right to immediately terminate this Agreement pursuant to Section 7 B.

B You may not develop a Store unless (i) at least 45 days, but no more than 60 days, prior to the date set forth in the Development Schedule for the execution of each Franchise Agreement, you send us a notice (a) requesting that we send you our then current disclosure documents, (b) confirming your intention to develop your next Store and (c) sending us all information necessary to complete the Franchise Agreement for the particular Store, and (ii) all of the following conditions have been met (these conditions apply to each Store to be developed under the terms of this Agreement)

1 Your Submission of Information You must furnish to us, at least 30 days prior to the earliest of (i) the date set forth in the Development Schedule by which you must execute a Franchise Agreement or (ii) the actual date in which the Franchise Agreement would be executed, a franchise application for the proposed Store, financial statements and other information regarding you, the operation of any of your other Stores and the development and operation of the proposed Store (including, without limitation, investment and financing plans for the proposed Store) as we may reasonably require.

2 Your Compliance with Our Then-Current Standards for Franchisees You must receive written confirmation from us that you meet our then-current standards for franchisees, including financial capability criteria for the development of a new Store. You acknowledge and agree that this requirement is necessary to ensure the proper development and operation of your Stores, and preserve and enhance the reputation and goodwill of all MENCHIE'S stores and the goodwill of the Trademarks. Our confirmation that you meet our then-current standards for the development of a new Store, however, does not in any way constitute a guaranty by us as to your success.

3 Good Standing You must not be in default of this Agreement, any Franchise Agreement entered into pursuant to this Agreement or any other agreement between you or any of your affiliates and us. You also must have satisfied on a timely basis all monetary and material obligations under the Franchise Agreements for all existing Stores.

4 Execution of Franchise Agreement You and we must enter into our then-current form of Franchise Agreement for the proposed Store. You understand that we may modify the then-current form of Franchise Agreement from time to time and that it may be different than the current form of Franchise Agreement, including different fees and obligations. You understand and agree that any and all Franchise Agreements will be

construed and exist independently of this Agreement. The continued existence of each Franchise Agreement will be determined by the terms and conditions of such Franchise Agreement. Except as specifically set forth in this Agreement, the establishment and operation of each Store must be in accordance with the terms of the applicable Franchise Agreement.

C Upon the execution of the Franchise Agreement for the proposed Store, the terms and conditions of the Franchise Agreement regarding site selection and construction will control.

D You must construct and equip each Store in strict accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, design and layout of the building. You may not commence construction on any Store until you have received our written consent to your building plans.

E You acknowledge that you have conducted an independent investigation of the prospects for the establishment of the Stores and recognize that the business venture contemplated by this Agreement involves business and economic risks and that your financial and business success will be primarily dependent upon the personal efforts of you and your management and employees. We expressly disclaim the making of, and you acknowledge that you have not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential gross sales, profits, earnings or the financial success of the Stores you develop.

F You recognize and acknowledge that this Agreement requires you to open Stores in the future pursuant to the Development Schedule. You further acknowledge that the estimated expenses and investment requirements set forth in Items 6 and 7 of our Franchise Disclosure Document are subject to increase over time, and that future Stores likely will involve greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to you prior to the execution of this Agreement. You are obligated to execute all the Franchise Agreements and open all the Stores on the dates set forth on the Development Schedule, regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of your prior Stores, or (iii) any other circumstances, financial or otherwise. The foregoing will not be interpreted as imposing any obligation upon us to execute the Franchise Agreements under this Agreement if you have not complied with each and every condition necessary to develop the Stores.

TERM

5 Unless sooner terminated in accordance with Section 7 of this Agreement and subject to the terms detailed in Section 2 C, the term of this Agreement and all rights granted to you will expire on the date that your last MENCHIE'S Store is scheduled to be opened under the Development Schedule.

YOUR DUTIES

6 You must perform the following obligations

A You must comply with all of the terms and conditions of each Franchise Agreement, including the operating requirements specified in each Franchise Agreement.

B You and your owners, officers, directors, shareholders, partners, members and managers (if any) acknowledge that your entire knowledge of the operation of a MENCHIE'S Store and the System, including the knowledge or know-how regarding the specifications, standards and operating procedures of the services and activities, is derived from information we disclose to you and that certain information is proprietary, confidential and constitutes our trade secrets. The term "trade secrets" refers to the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures and/or improvements regarding the business that is valuable and secret in the sense that it is not generally known to our competitors and any proprietary information contained in the manuals or otherwise communicated to you in writing, verbally or through the Internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Stores. You and your owners, officers, directors, shareholders, partners, members and managers (if any), jointly and severally, agree that at all times during and after the term of this Agreement, you will maintain the absolute confidentiality of all such proprietary information and will not disclose, copy, reproduce, sell or use any such information in any other business or in any manner not specifically authorized or approved in advance in writing by us. We may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from the individuals identified in the first sentence of this paragraph and other key employees.

C You must comply with all requirements of federal, state and local laws, rules and regulations

DEFAULT AND TERMINATION

7 The following provisions apply with respect to default and termination

A The rights granted to you in this Agreement have been granted in reliance on your representations and warranties, and strictly on the conditions set forth in Sections 2, 4 and 6 of this Agreement, including the condition that you comply strictly with the Development Schedule.

B You will be deemed in default under this Agreement if you breach any of the terms of this Agreement, including the failure to meet the Development Schedule, or the terms of any Franchise Agreement or any other agreements between you or your affiliates and us. All rights granted in this Agreement immediately terminate upon written notice without opportunity to cure if (i) you become insolvent, commit any affirmative action of insolvency or file any action or petition of insolvency, (ii) a receiver (permanent or temporary) of your property is appointed by a court of competent authority, (iii) you make a general assignment or other similar arrangement for the benefit of your creditors, (iv) a final judgment remains unsatisfied of record for 30 days or longer (unless supersedeas bond is filed), (v) execution is levied against your business or property, (vi) suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days, or is not in the process of being dismissed, (vii) you fail to meet the development obligations set forth in the Development Schedule attached as Appendix B, (viii) you violate the provisions of Section 10 O, (ix) you fail to comply with any other provision of this Agreement and do not correct the failure within 30 days after written notice of that failure is delivered to you, or (x) we have delivered to you a notice of termination of a Franchise Agreement in accordance with its terms and conditions.

RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION

8 Upon termination or expiration of this Agreement, all rights granted to you will automatically terminate, and

A All remaining rights granted to you to develop Stores under this Agreement will automatically be revoked and will be null and void. You will not be entitled to any refund of any fees. You will have no right to develop or operate any business for which a Franchise Agreement has not been executed by us.

B You must immediately cease to operate your business under this Agreement and must not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former developer of ours.

C You must take such action as may be necessary to cancel or assign to us or our designee, at our option, any assumed name or equivalent registration that contains the name MENCHIE'S or any other Trademark of ours, and you must furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after termination or expiration of this Agreement.

D You must assign to us or our designee all your right, title, and interest in and to your telephone numbers and must notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number in any regular, classified or other telephone directory listing associated with the Trademarks and to authorize transfer of same at our direction.

E You must within 30 days of the termination or expiration pay all sums owing to us. If at the time of termination you have not signed a Franchise Agreement for a Store(s) that you agreed to develop under this Agreement, we will not refund any portion of the Multi Unit Fee you paid to us nor will we charge you any additional fees for these undeveloped Stores.

All unpaid amounts will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In the event of termination for any default by you, the sums due will include all damages, costs, and expenses, including reasonable attorneys' fees and expenses, incurred by us as a result of the default. You also must pay to us all damages, costs and expenses, including reasonable attorneys' fees and expenses that we incur subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

F All of our and your obligations that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied or by their nature expire.

TRANSFER

9 The following provisions govern any transfer

A We have the right to transfer all or any part of our rights or obligations under this Agreement to any person or legal entity

B This Agreement is entered into by us with specific reliance upon your personal experience, skills and managerial and financial qualifications. Consequently, this Agreement, and your rights and obligations under it, are and will remain personal to you. You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent and you transfer all of your rights and interests under all Franchise Agreements for Stores opened pursuant to this Agreement. Accordingly, the assignment terms and conditions of the Franchise Agreements will apply to any Transfer of your rights and interests under this Agreement. As used in this Agreement, the term "Transfer" means any sale, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you.

MISCELLANEOUS

10 The parties agree to the following provisions

A You agree to indemnify, defend, and hold us and our officers, directors, shareholders and employees harmless from and against any and all claims, losses, damages and liabilities, however caused, arising directly or indirectly from, as a result of, or in connection with, the development, use and operation of your Stores, as well as the costs, including attorneys' fees, of defending against them ("Franchise Claims"). Franchise Claims include, but are not limited to, those arising from any death, personal injury or property damage (whether caused wholly or in part through our active or passive negligence), latent or other defects in any Store or your employment practices. In the event a Franchise Claim is made against us, we reserve the right in our sole judgment to select our own legal counsel to represent our interests, at your cost.

B Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses.

C No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. This Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us.

D This Agreement together with all schedules, addenda and appendices to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in this or in any related

agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document we furnished to you

You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law

E Except as otherwise provided in this Agreement, any notice, demand or communication provided for must be in writing and signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid and addressed as follows

1 If intended for us, addressed to Menchie's Group, Inc , 17555 Ventura Boulevard, Suite 200, Encino, California 91316,

2 If intended for you, addressed to you at the address set forth on the Data Sheet, or,

in either case, to such other address as may have been designated by notice to the other party Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this subparagraph

F Any modification, consent, approval, authorization or waiver granted in this Agreement required to be effective by signature will be valid only if in writing executed by Developer (or an owner of Developer if Developer is a legal entity) or, if on behalf of us, in writing executed by our President or one of our authorized Vice Presidents

G The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties

1 Applicable Law and Waiver Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Section 10 N of this Agreement, the parties' rights under this Agreement, and the relationship between the parties, is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state where you are located

2 Our Rights Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify the express limitations set forth in this Agreement

3 Our Reasonable Business Judgment Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights Our decisions or actions will be deemed to

be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System

H Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Section 10 N must be brought in the state or federal district court located in the county or district encompassing our headquarters Both parties irrevocably submit themselves to, and consent to, the jurisdiction of said courts The provisions of this Section will survive the termination of this Agreement You are aware of the business purposes and needs underlying the language of this subparagraph, and with a complete understanding, agree to be bound in the manner set forth

I All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement

J You and your affiliates and we agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained

K If you are a corporation, partnership, limited liability company or partnership or other legal entity, all of your owners must execute the form of undertaking and guarantee at the end of this Agreement Any person or entity that at any time after the date of this Agreement becomes an owner must execute the form of undertaking and guarantee at the end of this Agreement

L You and we are independent contractors Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other Neither party may obligate the other or represent any right to do so This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence

M In the event of any failure of performance of this Agreement according to its terms by any party, the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of said party Such causes include, but are not limited to, strikes, wars, riots and acts of government except as may be specifically provided for elsewhere in this Agreement

N Except as qualified below, any dispute between you and us or any of your affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or the business must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the American Arbitration Association

pursuant to its then-current commercial arbitration rules and procedures. Any arbitration must be on an individual basis, and the parties and arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or proceeding involving third parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties must submit all claims to the jurisdiction of the courts. The arbitration must take place in the city where our headquarters is located at the time of the dispute. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least 5 years of significant experience in franchise law. A judgment may be entered upon the arbitration award by any state or federal court in the state where we maintain our headquarters. The decision of the arbitrator will be final and binding on all parties to the dispute, however, the arbitrator may not under any circumstances (i) stay the effectiveness of any pending termination of this Agreement, (ii) assess punitive or exemplary damages, or (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set.

Before any party may bring an action in court or against the other, or commence an arbitration proceeding (except as noted below), the parties must first meet to mediate the dispute. The mediation will be held in the city in which our headquarters are located at the time of the mediation. Any such mediation will be non-binding and conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes.

Nothing in this Agreement bars either party's right to obtain injunctive relief against threatened conduct that will cause loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions. Furthermore, we have the right to commence a civil action against you or take other appropriate action for the following reasons: to collect sums of money due to us, to compel your compliance with trademark standards and requirements to protect the goodwill of the Trademarks, to compel you to compile and submit required reports to us, or to permit evaluations or audits authorized by this Agreement.

The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable attorneys' fees and costs.

O During the term of this Agreement, neither we nor you may employ or seek to employ, directly or indirectly, any person who is at the time or was at any time during the prior six months employed in any type of managerial position by the other party or any of its affiliates, or by any franchisee in the System. In the event that you violate this provision, we will have the right to terminate this Agreement without opportunity to cure pursuant to subparagraph 7 B. In addition, any party who violates this provision agrees to compensate the former employer for all costs and expenses incurred in losing and replacing the employee up to a maximum of \$25,000, plus attorneys' fees and expenses. This subparagraph will not be violated if (i) at the time we or you employ or seek to employ the person, the former employer has given its written consent or (ii) we employ or seek to employ the person in connection with the transfer of the Store(s) to us. The parties acknowledge and agree that any franchisee from whom an employee was hired by you in violation of this subparagraph shall be a third-party beneficiary of this provision, but only to the extent that they may seek compensation from you.

P We will designate the "Effective Date" of this Agreement in the space provided on the Data Sheet. If no Effective Date is designated on the Data Sheet, the Effective Date is the date when we sign this Agreement.

Q You represent and warrant to us that (a) you are not named, either directly or by an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U S Treasury Department's Office of Foreign Assets Control currently located at www.treas.gov/offices/enforcement/ofac/, (b) you will take no action that would constitute a violation of any applicable laws against corrupt business practices, against money laundering and against facilitating or supporting persons or entities who conspire to commit acts of terror against any person or entity, including as prohibited by the U S Patriot Act (currently located at <http://www.epic.org/privacy/terrorism/hr3162.html>), U S Executive Order 13244 (currently located at <http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>) or any similar laws, and (c) you shall immediately notify us in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading

IN WITNESS WHEREOF, the parties have executed the foregoing Agreement as of the dates written below

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Developer _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

Error! Unknown document property name.

PERSONAL GUARANTY AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE MULTI UNIT AGREEMENT

In consideration of the execution of the Multi Unit Agreement (the "Agreement") between MENCHIE'S GROUP, INC ("we" or "us") and _____ (the "Developer"), dated _____, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Agreement, to be paid, kept and performed by the Developer, including without limitation the arbitration and other dispute resolution provisions of the Agreement

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Agreement

The undersigned waives (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed, (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed, (3) any right he/she may have to require that an action be brought against the Developer or any other person as a condition of liability, and (4) notice of any changes permitted by the terms of the Agreement or agreed to by the Developer

In addition, the undersigned consents and agrees that (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the Developer or any other person, (2) such liability will not be diminished, relieved or otherwise affected by the Developer's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned, and (3) this Personal Guaranty shall apply in all modifications to the Agreement of any nature agreed to by Developer with or without the undersigned receiving notice thereof

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of our successors and assigns

DEVELOPER _____

PERSONAL GUARANTORS

Individually _____

Individually _____

Print Name _____

Print Name _____

Address _____

Address _____

City _____ State _____ Zip Code _____

City _____ State _____ Zip Code _____

Telephone _____

Telephone _____

Individually

Print Name

Address

City	State	Zip Code
------	-------	----------

Telephone

Individually

Print Name

Address

City	State	Zip Code
------	-------	----------

Telephone

APPENDIX A

DATA SHEET

1 **Developer** _____

2 **Effective Date** _____

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer

Developer _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

APPENDIX B
DEVELOPMENT SCHEDULE

You acknowledge and agree that a material provision of the Multi Unit Agreement is that the following number of MENCHIE'S Stores must be opened and continuously operating in accordance with the following Development Schedule

Store Number	Date by Which Franchise Agreement Must be Signed	Date by Which the Store Must be Opened and Continuously Operating for Business	Cumulative number of Stores Required to be Open and Continuously Operating for Business as of the Date in Preceding Column
1	Date of this Agreement		1
2			2

For purposes of determining compliance with the above Development Schedule, only the Stores actually open and continuously operating for business as of a given date will be counted toward the number of Stores required to be open and continuously operating for business

We will only charge the remaining balance of the Initial Franchise Fee and ongoing fees for a particular Store upon the signing of a Franchise Agreement for the Store. If this Agreement is terminated and you have not signed a Franchise Agreement for a Store(s) you agreed to develop, we will not refund any portion of the Multi Unit Fee you paid to us nor will we charge you any additional fees for the undeveloped Stores. Once a Franchise Agreement is signed, we will charge the initial and ongoing fees are outlined in the Franchise Agreement. These additional and ongoing fees will be charged should you elect to open additional MENCHIE'S Stores through executing additional Franchise Agreements according to our franchise policies

[Signatures on following page]

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Developer _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

ACKNOWLEDGMENT ADDENDUM TO MENCHIE'S® MULTI UNIT AGREEMENT

As you know, you and we are entering into a Multi Unit Agreement for the development and operation of MENCHIE'S® stores. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations*

- 1 Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Multi Unit Agreement? Check one Yes No
If no, please comment _____
- 2 Have you studied and reviewed carefully our Disclosure Document and Multi Unit Agreement? Check one Yes No If no, please comment _____
- 3 Did you understand all the information contained in both the Disclosure Document and Multi Unit Agreement? Check one Yes No If no, please comment _____
- 4 Was any oral, written or visual claim or representation made to you that contradicted the disclosures in the Disclosure Document? Check one Yes No If yes, please state in detail the oral, written or visual claim or representation _____
- 5 Except as stated in Item 19, did any employee or other person speaking on behalf of Menchie's Group, Inc make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any MENCHIE'S location or business, or the likelihood of success at your franchised business? Check one Yes No If yes, please state in detail the oral, written or visual claim or representation _____
- 6 Did any employee or other person speaking on behalf of Menchie's Group, Inc make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document? Check one Yes No If yes, please comment _____

Acknowledgment Addendum

MENCHIE'S® 2014 Multi Unit Agreement

Initial Here

Franchisor

Developer

7 Do you understand that the success or failure of the development and operation of your Stores will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the MENCHIE'S trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you sign your Multi Unit Agreement may change? Check one Yes No If no, please comment

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH

NOTE IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT

Signed _____

Print Name _____

Date _____

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Exhibit E

COMPUTER AND SOFTWARE REQUIREMENTS

A Point of Sale Platform

- 1 North American Menchie's locations must use the MGHQ approved POS platform
- 2 Approved POS platform must report daily to the Menchie's North American Reporting portal

B Back Office IT Environment

- 1 Back office Windows PC required for all non-POS related tasks including but not limited to, reporting, accounting, electronic communications and web based activities
- 2 Color Printer

C Store IT Environment

- 1 Store required to maintain PCI-DSS compliance
- 2 DVR security cameras require a PCI compliant configuration
- 3 If site provides wireless access a separate Internet connection and local area network is required
- 4 POS network minimum internet bandwidth - 3Mbps download / 2Mbps upload

Exhibit F

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Menchie's Frozen Yogurt Operations Manual

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STATE ADDENDA

CALIFORNIA ADDENDUM

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

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.

Item 19 Additional Disclosure The following is added to Item 19

The financial performance representation figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the Net revenue or Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in this Disclosure Document may be one source of this information.

California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

- A The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U S C A Sec 101 et seq.)
- B The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- C The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- D The franchise agreement requires binding arbitration. The arbitration will occur at Los Angeles County, California with the costs being borne by the non-prevailing party.
- E The franchise agreement requires application of the laws of California law.

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.

- a) **Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your franchise agreement**
- b) **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**

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www dbo ca gov

HAWAII ADDENDUM

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR MENCHIE'S, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR MENCHIE'S, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

ILLINOIS ADDENDUM

Item 17, Additional Disclosures The following statement is added to Item 17

The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20

Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void." To the extent that any provision in the Agreement is inconsistent with Illinois law, Illinois law will control

Except for those cases in which Franchisor is entitled to the entry of temporary and permanent injunctions and orders of specific performance in accordance with the terms of the Franchise Agreement and claims of promissory fraud, all disputes must be arbitrated in the county in which Franchisor's principal offices are located at the time the demand for arbitration is filed

**ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the Franchise Agreement ("Franchise Agreement") dated _____ between Menchie's Group, Inc ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement

- 1 The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because (a) the offer or sale of the franchise to Franchisee was made in the State of Illinois, (b) Franchisee is a resident of the State of Illinois, and/or (c) the Franchised Business will be located or operated in the State of Illinois
- 2 The following sentence is added to the end of Section 15 I

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois

- 3 The last sentence of Section 15 H(1) is deleted and replaced by the following:

Notwithstanding the foregoing, the Illinois Franchise Disclosure Act shall govern the Franchise Agreement
- 4 Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement
- 5 Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

[*Signatures on following page*]

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

MARYLAND ADDENDUM

Item 1, Additional Disclosures The following statements are added to Item 1

The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

Item 17, Additional Disclosures The following statements are added to Item 17

The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

The “Summary” column of Item 17(H) of the Disclosure Document, pertaining to “Cause defined – defaults that cannot be cured” is supplemented to state that any provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law

Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided that the Franchise Agreement may provide for arbitration in a forum outside of Maryland

Section 14-227(e) of the Maryland Franchise Registration and Disclosure Law requires that any claims arising under that Law be brought within 3 years after the grant of the franchise

Item 22, Additional Disclosures The following statements are added to Item 22

Item 22 of the Disclosure Document is supplemented to state that the form of general release referred to in Items 17 c and 17 m is attached to this Disclosure Document pursuant to Maryland Franchise Registration and Disclosure Law

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR MARYLAND FRANCHISEES

This Addendum to Franchise Agreement ("Franchise Agreement") dated _____ between Menchie's Group, Inc ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement

- 1 The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because (a) the offer or sale of the franchise to Franchisee was made in the State of Maryland, (b) Franchisee is a resident of the State of Maryland, and/or (c) the Franchised Business will be located or operated in the State of Maryland
- 2 The following sentence is added to the end of Section 1

Representations in the Franchise Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law

- 3 The following sentence is added to the end of Sections 4 B and 11 D

The general release required as a condition of renewal or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

- 4 The following sentence is added to the end of Section 15 I

Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided that the Franchise Agreement may provide for arbitration in a forum outside of Maryland

- 5 Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement
- 6 Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

[Signatures on following page]

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

MINNESOTA ADDENDUM

Item 13, Additional Disclosure The following statement is added to Item 13

We will protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name to the extent required by Minn Stat Sec 80C 12, Subd 1(g)

Notice of Termination The following statement is added to Item 17

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C 14, subdivisions 3, 4, and 5 which requires, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement

Governing Law, Jurisdiction and Venue and Choice of Forum The following statement is added to the cover page and Item 17

Minnesota Statutes, Section 80C 21 and Minnesota Rule 2860 4400J prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction

General Release The following statement is added to Item 17

Minnesota Rule 2860 4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C 01 – 80C 22

**ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to the Franchise Agreement ("Franchise Agreement") dated _____ between Menchie's Group, Inc ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement

- 1 The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This addendum is being executed because (a) the offer or sale of the franchise to Franchisee was made in the State of Minnesota, (b) Franchisee is a resident of the State of Minnesota, and/or (c) the Franchised Business will be located or operated in the State of Minnesota
- 2 The following sentence is added to the end of Section 13 B

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C 14, subdivision 3, 4, and 5 which requires, except in certain cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement

- 3 The following sentence is added to the end of Sections 4 B and 11 D

Notwithstanding the foregoing, Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C 01 – 80C 22

- 4 Section 12 C is deleted and replaced with the following

Franchisor shall be entitled to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to (1) Franchisee's use of the Trademarks, (2) the construction and equipping of the Franchised Business, (3) the obligations of Franchisee upon termination or expiration of this Agreement, (4) a Transfer of this Agreement, any ownership interest therein or in the lease for the Franchised Business, and (5) as necessary to prohibit any act or omission by Franchisee or its employees that would constitute a violation of any applicable law, ordinance, or regulation, or which is dishonest or misleading to Franchisor and/or Franchisor's other licensees

- 5 The following sentences are added to the end of Sections 12 B and 15 I

Minnesota Statute § 80C 21 and Minnesota Rule 2860 4400J prohibit Franchisor from requiring arbitration or litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or the Franchise Agreement can abrogate or reduce any of Licensee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction

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

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

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

NEW YORK ADDENDUM

Cover Page, Additional Disclosures The following language is added to the State Cover Page as additional Risk Factors

1 FRANCHISOR WILL NOT BE GRANTING AN EXCLUSIVE TERRITORY TO THE FRANCHISEE

Item 3, Additional Disclosure The last sentence in Item 3 is deleted and replaced with the following

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent

Accordingly, other than the three actions described above, no litigation is required to be disclosed in this Disclosure Document

Item 4, Additional Disclosure Item 4 is deleted and replaced with the following

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document (a) filed as debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code, (b) obtained a discharge of its debts under the Bankruptcy Code, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code or that obtained a discharge of its debts under the U S Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership

Item 17, Additional Disclosures The following statements are added to Item 17

Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor's good faith and judgment is willing and able to assume Franchisor's obligations under the Franchise Agreement

The New York Franchises Law requires that New York law govern any cause of action which arises under the New York Franchises Law

The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the Franchise Agreement inconsistent with that law

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR NEW YORK FRANCHISEES

This Addendum to the Franchise Agreement ("Franchise Agreement") dated _____ between Menchie's Group, Inc ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement

- 1 The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because (a) the offer or sale of the franchise to Franchisee was made in the State of New York, (b) Franchisee is a resident of the State of New York, and/or (c) the Franchised Business will be located or operated in the State of New York
- 2 Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable
- 3 The following sentence is added to the end of Sections 4 B and 11 D

Any provision in the Franchise Agreement requiring Franchisee to sign a general release of claims against Franchisor does not release any claim Franchisee may have under New York General Business Law, Article 33, Sections 680-695

- 4 The following sentence is added at the end of Section 11 G
Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor's good faith and judgment is willing and able to assume Franchisor's obligations under the Franchise Agreement
- 5 The following sentence is added to the end of Section 15 H(1)
Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law
- 6 Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement
- 7 Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

[THE REST OF THIS PAGE IS
INTENTIONALLY LEFT BLANK]

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

NORTH DAKOTA ADDENDUM

Item 17, Additional Disclosures The following statements are added to Item 17

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void. Any mediation or arbitration will be held at a site agreeable to all parties. The laws of the State of North Dakota will govern any dispute.

Any general release the franchisee is required to assent to is not intended to nor shall it act as a release, estoppel or waiver of any liability Menchie's Group, Inc. may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete upon termination or expiration of the franchise agreement are generally not enforceable in the State of North Dakota, except in certain instances as provided by law.

The Franchise Agreement includes a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Menchie's Group, Inc. in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Disclosure Document, Franchise Agreement and Area Development Agreement state that franchisee must consent to the jurisdiction of courts in the state of California. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document, Franchise Agreement and Area Development Agreement.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. The Commissioner has determined this to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees and, instead the statute of limitations under North Dakota law will apply.

**ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR NORTH DAKOTA FRANCHISEES**

This Addendum to the Franchise Agreement ("Franchise Agreement") dated _____ between Menchie's Group, Inc ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement

- 1 The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because (a) the offer or sale of the franchise to Franchisee was made in the State of North Dakota, (b) Franchisee is a resident of the State of North Dakota, and/or (c) the Franchised Business will be located or operated in the State of North Dakota
- 2 Any release executed in connection herewith shall not apply to any claims that may arise under the North Dakota Franchise Investment Law
- 3 Covenants not to compete are generally considered unenforceable in the State of North Dakota
- 4 The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. The laws of the State of North Dakota will govern any dispute
- 5 The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement
- 6 The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement
- 7 The requirement that mediation or arbitration be held in California may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties
- 8 The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement
- 9 The Franchise Agreement states that franchisee must consent to the jurisdiction of courts in the state of California. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement

- 10 The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees and, instead, the statute of limitations under North Dakota law will apply.
- 11 The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Menchie's Group, Inc. in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT
REQUIRED FOR NORTH DAKOTA DEVELOPERS**

Notwithstanding anything to the contrary in the Area Development Agreement to which this Addendum is attached, the following terms and conditions shall control

- 1 The Area Development Agreement states that Developer must consent to the jurisdiction of courts in the state of California. That requirement will not apply to North Dakota Developers and is deemed deleted in each place it appears in the Area Development Agreement
- 2 The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. The laws of the State of North Dakota will govern any dispute

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Area Developer _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

RHODE ISLAND ADDENDUM

Item 17, Additional Disclosure The following statement is added to Item 17

Section 19-28 1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act ”

**ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to the Franchise Agreement ("Franchise Agreement") dated _____ between Menchie's Group, Inc ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement

1 The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because (a) the offer or sale of the franchise to Franchisee was made in the State of Rhode Island, (b) Franchisee is a resident of the State of Rhode Island, and/or (c) the Franchised Business will be located or operated in the State of Rhode Island

2 The following sentence is added to the end of Sections 15.1

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

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

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

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer _____

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF VIRGINIA**

Item 17, Additional Disclosure In recognition of the restrictions contained in Section 13 1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Franchisor for use in the Commonwealth of Virginia shall be amended as follows

“Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR WASHINGTON FRANCHISEES

This Addendum to the Franchise Agreement ("Franchise Agreement") dated _____ between Menchie's Group, Inc ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement

- 1 The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because (a) the offer or sale of the franchise to Franchisee was made in the State of Washington, (b) Franchisee is a resident of the State of Washington, and/or (c) the Franchised Business will be located or operated in the State of Washington
- 2 The State of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 ("Act"), which may supersede the Franchise Agreement in Franchisee's relationship with Franchisor including the areas of termination and renewal of your franchise. There also may be court decisions which may supersede the Franchise Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise
- 3 In any arbitration involving a franchise purchased in the State of Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator
- 4 In the event of a conflict of laws, the provisions of the Act shall prevail
- 5 A release or waiver of rights executed by Franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel
- 6 Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement
- 7 Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

Franchisor Menchie's Group, Inc

By _____
Amit Y Kleinberger

Its Chief Executive Officer

Franchisee _____

By _____

Printed Name _____

Its _____

By _____

Printed Name _____

Its _____

Exhibit H

SAMPLE RELEASE

BE IT KNOWN, that _____ and _____, (hereafter referred to as the "Releaser(s)"), for and in consideration of the sum of Ten Dollars (US) (\$10 00), or other valuable consideration received from or on behalf of Menchie's Group, Inc (hereafter referred to as the ("Releasee"), the receipt of which is hereby acknowledged, do(es)hereby remise, release, acquit, satisfy, and forever discharge the said Releasee, its administrators, successors and assigns, of and from all manner of action(s),cause(s) of action, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law or in equity, which said Releaser(s) ever had, now has, or which any personal representative, successor, heir or assignor said Releaser(s), hereafter can, shall or may have, against said Releasee by reason of any matter, cause or thing whatsoever, arising out of the Franchise Agreement and Relationship entered into between the parties on the _____ day of _____, 20____ to the date of this instrument

IN WITNESS WHEREOF, the said Releaser(s) has hereunto set his/her hand and seal this _____ day of _____, 20_____

Releaser

Releaser

State of _____)
) ss
County of _____)

The foregoing instrument was acknowledged by me this _____ day of _____, 20____ by _____ and _____, who is/are personally known by me

(SEAL)

Notary Public State of _____
My Commission Expires _____

Exhibit I

**LIST OF FRANCHISEES AND SUBFRANCHISEES IN THE SYSTEM
AS OF DECEMBER 31, 2014**

*Indicates Multi-Unit Developer

State	Franchise Owner	Address	Telephone	Email (@Menches.com)
AK	Casey Millar	9000 Lake Otis Parkway Anchorage AK 99507	907 929 9977	kcmillarak@gmail.com
AZ	Bryan Brinkley	3757 S Gilbert Rd Gilbert, AZ 85297	(480) 786 9180	blbrinkley@hotmail.com
AZ	Craig Early	3121 W Peoria Ave Suite 110 Phoenix AZ 85254	623 266 9010	cearly1@cox.net
AZ	Delaney Sander	15147 N Scottsdale Road Scottsdale AZ 85254	480 219 6880	delaney.sander@gmail.com
AZ	Mark Phelan	15678 N Frank Lloyd Wright Blvd Suite 120 Scottsdale AZ 85260	(480) 451 5804	markephelan@gmail.com
CA	Ernesto Pinero	9 E Main St Alhambra, CA 91801	(626) 289 9289	epinero4@aol.com
CA	Yanitz Rubin*	4138 N Maine Avenue Baldwin Park CA 91706	626 337 5400	yanitz@me.com
CA	Edward Tarverdians	6840 Eastern Ave Unit B Bell Gardens, CA 90201	(323) 562 4000	edtarverd@gmail.com
CA	Susan Gralnick Hoster*	1200 El Camino Real Suite A3 Belmont, CA 94002	650 802 8373	menches068@gmail.com
CA	David Aucella*	1862 Euclid Ave Berkeley CA 94709	(510) 883 0822	daucella@gmail.com
CA	Susan Gralnick Hoster	2530 Sand Creek Road Brentwood, CA 94513	925 513 6600	susungralnickhoster@gmail.com
CA	Brandy Derrick	3800 West Verdugo Ave Burbank CA 91505	818 859 7801	brandy.derrick@mac.com
CA	Hootan Zarghampour*	4776 Commons Way Calabasas CA 91302	818 222 1158	hootan.zargham@gmail.com
CA	Alan Rutstein*	5617 Paseo Del Norte Carlsbad CA 92008	760 929 1000	alan.rutstein@gmail.com
CA	Esti Klaiman	9201 Winnetka Ave Chatsworth CA 91311	818 717 8128	esti.k@
CA	David Habibi*	3851 Main St Culver City CA 90232	310 838 2000	dldmgmt@yahoo.com
CA	Erica Acker*	5622 Sawtelle Blvd Culver City CA 90230	310 915 7190	ericaacker@yahoo.com
CA	Rowena Yago	12146 Lakewood Blvd Downey CA 90242	562 401 9610	menchesoc@aol.com
CA	Mark Russell*	3742 Fallon Road Suite 650 Dublin CA 94568	925 361 5589	markru@fogland.com
CA	Mike Kurko/ Jim Kurko*	1710 E Main Street El Cajon CA 92021	619 440 9648	mikekurko@gmail.com
CA	Stacy Kurko*	2471 Jamacha Road El Cajon CA 92019	619-44 6000	stacy.kurko@menches.com
CA	Kathy Abels*	349 West Felicita Plaza Escondido CA 92025	(760) 735 6334	kabels@yogurtlabinc.com
CA	David Kao	16645 Sierra Lakes Pkwy Fontana, CA 92336	(909) 854 3605	Dkao88888@yahoo.com
CA	Tom Koai*	5030 Mowry Ave Fremont, CA 94538	510 221 6833	tkoai@yahoo.com
CA	Mitch Nitta*	3090 W Shaw Suite 102 Fresno CA 93711	(559) 274 9002	mitchnitta@hotmail.com
CA	Liz Charlton*	17840 Chatsworth St. Granada Hills CA 91344	818 368 7700	liz.charlton@menches.com
CA	Josh Grewal *	12719 Main Street Hesperia, CA 92345	760 662 5777	grewaljosh@gmail.com
CA	Richard Reisberg*	19694 Beach Blvd Huntington Beach, CA 92648	(714) 964 5600	richardreisberg@gmail.com
CA	Shelly Jose*	15333 Culver Drive Irvine CA 92604	949 551-6130	shelly@cnjcpas.com

State	Franchise Owner	Address	Telephone	Email (@Menchies com)
CA	Trina Walker*	1265 N Hacienda Blvd La Puente CA 91744	626 918 1924	mench277@gmail.com
CA	Bob Krist	30211 Golden Lantern Suite A Laguna Niguel CA 92677	(949) 441 7505	rjkrist@gmail.com
CA	Bob Lillard	973 E Stanley Blvd Livermore CA 94550	925 447 3300	robert.lillard@menchies.com
CA	Fariba Dadko*	1415 E Gage Avenue Unit C Los Angeles CA 90001	323 277 9247	fariba.menchies@gmail.com
CA	Hootan Zarghampour*	502 W Huntington Dr Unit #3 Monrovia, CA 91016	626 303 6400	hootan.zargham@gmail.com
CA	John Spishak*	26865 Sierra Hwy Newhall CA 91321	661 250 0500	jspremiermkgt@sbcglobal.net
CA	Misun Kim	21109 Newport Coast Drive Suite #21111 Newport Beach, CA 92657	(949) 719-2700	misunkim2955@gmail.com
CA	Joe Cohan	667 Town Center Drive Oxnard CA 93036	805 278 1171	menchiesoxnard@aol.com
CA	Nani Thakkar*	12263 Highland Avenue Rancho Cucamonga, CA 91701	909 385-2904	naniteam@gmail.com
CA	Andrew Bequer	30461 Avenida De Las Flores Rancho Santa Margarita, CA 92688	949-635 9365	Andy@bequers.com
CA	Fariba Dadko*	2515 Artesia Blvd Redondo Beach CA 90278	310 370 4888	fariba.menchies@gmail.com
CA	Kay Ramzan*	5194 Commons Drive Suite 103 Rocklin CA 95677	(916) 652 6577	kayramzan@aol.com
CA	Geraldine Williams*	1164 Galleria Blvd Suite 110 Roseville CA 95678	916 865 4665	geraldine.williams@comcast.net
CA	Hani Esoo*	3225 Sports Arena Blvd Suite 105 San Diego CA 92110	619 221 5944	Hani@Esoo US
CA	Jim Hudson *	1201 Truman St San Fernando CA 91340	818 365 6599	hudson@actainc.com
CA	Gabrial Dosdos	925 Blossom Hill Rd San Jose CA 95123	408 768 4461	gabriel.dosdos@yahoo.com
CA	Alan Rutstein*	133 S Las Posas Rd San Marcos CA 92078	760 798 8000	alan.rutstein@gmail.com
CA	Mercedes McDermott*	2202 S Brady Road Santa Maria, CA 93455	805 925 1255	mcdermott.mercedes@icloud.com
CA	Larry Block*	732 Montana Ave Santa Monica, CA 90403	310 393 4242	block@earnware.net
CA	Vasken Jeknavorian	2901 Ocean Park Blvd Santa Monica, CA 90405	310 450 2228	vaskenj4@yahoo.com
CA	Holly Manning	2188 Santa Rosa Ave Suite A 3 Santa Rosa, CA 95407	(808) 298 8822	Holly@homesandlandofkauai.com
CA	Diego Halac	13369 Ventura Blvd Sherman Oaks CA 91423	818 788 9900	diegohalac@aol.com
CA	Lars Martin	1040 Mission Street South Pasadena, CA 91030	626 799 2132	menchiessouthern@sbcglobal.net
CA	Jerry Maloney*	32195 Temecula Parkway Suite 102 Temecula, CA 92592	(951) 591 1840	jmaloneydo@hotmail.com
CA	Farhad Ezligimi	168 W Hillcrest Dr #1 Thousand Oaks CA 91360	805 557 0700	fergholding@gmail.com
CA	Adele Bloch*	1888 W 11th St Tracy CA 95376	209 229 1998	adelebloch@yahoo.com
CA	Melodee Yee	24201 West Valencia Blvd Valencia, CA 91355	661 260 3900	max91364@yahoo.com
CA	Adam Caldwell	4849 Laurel Canyon Blvd Valley Village CA 91607	818 985 9150	Adam.caldwell@menchies.com
CA	Zsolt Alberti*	5944 Telegraph Road Ventura, CA 93003	(805) 477-9725	Zsoltalberti@yahoo.com
CA	Erica Acker*	8815 S Sepulveda Blvd Westchester CA 90045	310 892 7100	ericaacker@yahoo.com
CA	Yanitz Rubin*	245 N Barranca St West Covina, CA 91791	626 332 2400	yanitz@me.com
CA	Marina Haentjens	6731 1/2 Fallbrook Ave West Hills CA 91307	818 703 7300	menchieswesthills@gmail.com
CA	Shardad Sanjideh	180 Promenade Way Westlake Village CA 91362	805 777 7000	shardads@nol.com

State	Franchise Owner	Address	Telephone	Email (@Menchies.com)
CA	Marth Santana*	10122 Carmenita Road Whittier CA 90605	562 944-4700	noahsantana@verizon.net
CA	Cristian Pellegrini *	19755 Vanowen Street Winnetka, CA 91306	(818) 999-4700	xtianp@xtianp.com
CA	Marsha Haina	20968 Ventura Blvd Woodland Hills CA 91364	818 887 1777	ZIMAR6@aol.com
CO	Mitch Godfrey*	10601 East Garden Drive Aurora, CO 80012	303 750 0705	mitch_godfrey@gmail.com
CO	Linda Diller	8221 S Holly St Centennial CO 80122	720-484 6627	bootcamptribe10@gmail.com
CO	Lisa Smith*	8302 Northfield Blvd Denver, CO 80238	303 375 1101	lsmithmenchies@gmail.com
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(as of December 31, 2014)

* Indicates Multi-Unit Developer

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IL	Mark Berlin* (2)	4707 Stonebridge Champaign IL 61822	(217) 355 5543	lmerlin1@aol.com
IL	Randy Sturges* (3)	12400 Ventura Blvd #1600 Studio City CA 91604	818 980 1600	randysturges@gmail.com
IL	Richard Blaisdell*	571 Brookside Ave Algonquin, IL 60102	(847) 845 7017	rblaze43@yahoo.com
IL	Tom Swingle	923 Shady Tree Lane Wheeling IL 60090	(847) 215 2718	tom.swingle142@gmail.com

State	Franchise Owner	Address	Telephone	Email
KS	Andre Smith* (3)	21 Trumpet Vine St Ladera Ranch CA 92694	(816) 213-4959	andre.m.smith@hotmail.com
KS	Dennis Doyle* (2)	11011 W 49th Terr Shawnee KS 66203	785 619 6900	dendoyle1953@gmail.com
KS	Jason Jones* (2)	2904 147th Terrace Leawood, KS 66224	913 681 3605	jason.jones@kimchaninc.com
LA	Magdalene Buck	28 Park Place Dr Unit 2003 Covington LA 70433	985 773 3745	magdalene.buck@yahoo.com
LA	Martha Frye	906 Carondelet St Lake Charles, LA 70605	337 244 1180	marthfrye48@yahoo.com
LA	Mike Piasecki	313 Turtledove Trail Lafayette LA 70508	(337) 344 3595	Mpiasecki12@hotmail.com
LA	Nahel Rimawi	2020 Bradford Place Harvey LA 70058	504 975 3307	ramee74@aol.com
LA	Sam Abshire	837 hwy 146 Homer LA 71040	(318) 243 7250	skabshire@aol.com
MA	Christine McLaughlin* (2)	11 Ryans Lane Duxbury MA 2332	(617) 905 7975	christinemclaughlin@comcast.net
MA	Weimin (William) Zhao	16 Ferncroft Rd Shrewsbury MA 1545	(857) 998 1404	MEN284@menchiesfrozenvogurt.com
MA	Evan Davis	640 Pleasant Street Framingham, MA 1701	(508) 309-4338	evan@davisholdinggroup.com
MA	Georgios Karavasileidis*	534 South Street Apt 1 Wrentham MA 2093	774 847 9041	MEN523@menchiesfrozenvogurt.com
MA	Jorge Simoes*	8 Evergreen Ln Topsfield MA 1983	732 713 3760	jsimoes1@yahoo.com
MD	Dianna Adams	400 Mohican Drive Frederick, MD 21701	(301) 698 5762	adams_dianna@yahoo.com
MD	Doug Belfield	737 Eden farm circle Westminster MD 21157	(443) 244-0401	elfield1@gmail.com
MD	Eileen Frazier*	19030 Abbey Manor Dr Brooksville MD 20833	301 774 5083	ae.frazier@verizon.net
MD	Fred Graffam	3517 Old Trail Rd Edgewater, MD 21037	240 595 1862	fgraffam@mac.com
MD	Kristine Garfinkel*	4407 Walsh St Chevy Chase MD 20815	(301) 718 3699	kagarfinkel@gmail.com
MD	Patrick Smith	4 Nocturne Court Rockville MD 20850	(202) 255-4704	patrick.smith.82772@gmail.com
MD	Rick Mostyn* (2)	740 South River Landing Edgewater MD 21037	301 785 5802	Rmostyn@bozzuto.com
MD	Robert Jacobs*	5803 Bradley Blvd Bethesda, MD 20814	301 320-2225	rjacobs124@gmail.com
MD	Thomas Yates*	2343 Anderson Hill St Marriotsville MD 21104	(301) 466 9873	
MI	Anant Patel *	15701 Johnson Creek Dr Northville MI 48168	(248) 470 0635	anant.i.patel@gmail.com
MI	Andrew Van Timmeren*	5309 16th Ave Hudsonville MI, MI 49426	616-740-6392	andrew.vantimmeren@gmail.com
MI	Anthony Hitsman*	315 Wildwood Drive Holland MI 49423	616-218 5028	anthony.hitsman@gmail.com
MI	Danny Samson* (3)	333 West Fort St Ste 1200 Detroit, MI 48226	313 570 6264	dannys@sgdetroit.com
MI	Dena Crow*	13505 Greenbriar Dr Grand Haven MI 49417	616-402 0648	denacrow71@gmail.com
MI	Farooq Minhas*	2945 Turtle Pond Court Bloomfield Hills, MI 48302	248 719 8691	s7.minhas@gmail.com
MI	Farzana Younas* (2)	49489 Lansdowne St Canton MI 48188	734-544 1108	yfarzana@gmail.com
MI	Jay Crank*	7978 Golf Meadows Dr Caledonia, MI 49316	(616) 308 0629	jcrankod@charter.net
MI	Jeff Abro* (2)	5541 Springbrook Troy MI 48098	(248) 798 8881	jeff.abro@yahoo.com
MI	Louis Messina*	2168 Scarboro Ct Shelby Township MI 48316	248 840 1668	louis.messina@outlook.com
MI	Marvin Kassab*	19020 Caff Ave Clinton Township MI 48038	586-557 9557	marvinkassab@gmail.com

State	Franchise Owner	Address	Telephone	Email
MI	Mehul Patel	13085 Morris Rd Atp 15108 Alpharetta, GA 30004	(630) 346 6776	MRPATEL RX@gmail com
MI	Mohad Abbass*	18151 Ridge Road North Royalton, OH 44133	216-894 1153	mohadabbass@gmail com
MI	Yousra Perayeff* (9)	4925 Pickford Dr Troy MI 48085	248 506 3123	fperayeff@comcast net
MN	Daniel Pedro* (2)	914 University NE #2 Minneapolis MN 55413	(651) 675 7129	dpedro33@gmail com
MN	Denise Kapla*	715 Linden Street #204 Mendota Heights MN 55118	(651) 269 5724	
MN	Lauren Larsen*	4635 Pinetree Curve Eagan MN 55122	651 686 5881	laurenlarsen6@gmail com
MN	Lawton Cain*	2115 West 49th Street Minneapolis MN 55419	(612) 925 3056	lawtoncain@hotmail com
MN	Mike Fee	2909 Silver Lake Ct St Anthony MN 55421	612) 384 8814	Liloval@gmail com
MN	Pete Vaillant*	13493 Marisol St NW Andover MN 55304	763 576 1036	Pete Vaillant@comcast net
MN	Peter Goldreich*	4805 Rustic Way Shorewood, MN 55331	952 401 0000	aurorahospitalitymn@gmail com
MN	Shelby Solomon* (3)	5702 Blake Rd Edina, MN 55436	(734) 846-4551	shelby@shelbysolomon com
MN	Steve Engelson*	4319 W 36th St St Louis Park CA 55416	952 255 9855	Sengelson@msn com
MN	Tom Ryan* (2)	7643 Lone Lane Coopersburg PA 18036	610 308 8637	tryan1027@comcast net
MO	Chris Stark*	5508 Steele Ridge Rd St Louis MO 63129	314 580-8404	crstarks@gmail com
MO	Sean Quinn*	2054 Meramec Meadows Dr Fenton MO 63026	(636) 861 1889	sbquinn@att.net
MO	Michael Matchett* (2)	4521 Forder Oaks Dr St Louis MO 63129	314 894 7891	mike matchett@mallinckrodt com
MS	Wanchai Suebhongsang*	406 Woodlands Circle Brandon, MS 39047	601 918 3354	cpeinter@yahoo com
MT	Tim Krump*	6906 Walker Mill Dr Cottonwood Heights UT 84121	775 219 7800	tmkrump@gmail com
NC	Brian Johnston	2144 7th Ave W Seattle WA 98119	206 283 3415	bdjohnston6@gmail com
NC	Brian Sloss*	230 Lakeview Way Vero Beach FL 32963	772 234 1198	briansloss@yahoo com
NC	Domeica White*	9313 Edwards Place Charlotte NC 29227	704 607-6879	domeicawhite@bellsouth net
NC	Heath Osburn	1033 Sedgewood Place Court Charlotte NC 28211	973 609 2188	heathosburn@mac com
NC	Jacqueline Ogden*	601 Southshore Pkwy Durham, NC 27703	919 957 1937	jacqueogden@yahoo com
NC	Jen Gustafson*	136 Charlton Terrace Athens GA 30606	270 798 4789	jenivet@aol com
NC	Jiten Majithia*	3230 Granard Lane Charlotte NC 28269	(704) 516-4642	ndoogu@hotmail com
NC	John Robinette*	1635 Crescent Drive Henderson NC 27536	(252) 438 5407	MEN537@menchiesfrozencyogurt com
NC	Lalit Solanki*	319 Malvern Hill Lane Morrisville NC 27560	(919) 462 9241	lalitji@gmail com
NC	Lilly Mead*	807 Golf House Road East Whitsett, NC 27377	336 449 0838	lilly menchies@gmail com
NC	Martha Spires* (2)	1112 Offshore Dr Fayetteville NC 28305	910-483 5462	spires1987@yahoo com
NC	Mike Ford*	8891 Graham Point Lane Denver NC 28037	(704) 425 0813	mrford@charter net
NC	Renu Pal*	5431 Open Book Lane Charlotte, NC 28270	(704) 771-4748	sanjeevrenupal@yahoo com
NC	Sybil Shipley*	5112 Minnesota Drive SE Southport, NC 28461	(443)904-4947	sybilshipley@gmai com
NC	Victor Medina	4820 Clubview Court Fuquay Varina, NC 27526	(919) 552 5688	vamedina@trianglesurgical com

State	Franchise Owner	Address	Telephone	Email
NE	Brian Krohe* (2)	6209 Hawser Dr King George VA 22485	540 775 3272	bkrohe@hotmail.com
NE	Rob Shradar	7114 N 152 St Bennington NE 68007	(402) 250-2568	rshradar@hotmail.com
NJ	Angus McDonald*	245 Pine Glen Road Langhorne PA 19047	(215) 504 0271	angusmcdonald10@gmail.com
NJ	Atul Khanna*	615 Wendover Ct Randolph NJ 7869	(973) 361 7246	atul_khanna@email.com
NJ	Edward Boutet* (2)	1 Hutchinson Dr Hillsborough NJ 8844	(201) 532 2217	eboutet@comcast.net
NJ	Robert Pures * (3)	606 Peterson Farm Court Riverdale NJ 7675	201 666 7526	Rpures@gmail.com
NJ	Sanjay Varma*	38 Dogwood Drive Plainsboro NJ 8536	609 721 3232	svarma@softartinc.com
NJ	Tom Lauterio*	41 Briarcliff Rd Marlton NJ 8053	617 331 4403	tjlauterio@gmail.com
NM	Angela Blakely* (2)	30 Camino de la Paloma Corrales, NM 87048	(505) 401 3606	acrpntr@aol.com
NM	Eric Hoessel*	509 Cielo Azul Corrales NM 87048	(505) 898 0714	drugsolutions@aol.com
NV	Antoine Eustache*	1786 Antelope Valley Ave Henderson NV 89012	702-677-4334	eustache@msn.com
NV	Michael Ruckman* (4)	10624 s eastern a792 Henderson NV 89052	(702) 767 6626	michael.ruckman@senteo.net
NV	Roland Trub* (3)	328 N Garden Terrace Bellingham, WA 98225	(360)483 9017	roland.trub@gmail.com
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NY	Chi Tang*	64 05 Yellowstone Blvd #114 Forest Hills NY 11375	718 275 8188	chiwtang@gmail.com
NY	Jane Potter* (4)		(212) 319 5365	janerpotter@gmail.com
NY	Amelia Roopnarine	196 07 McLaughlin Ave Holliswood, NY 11423	347-426-9293	amelia.roopnarine2@gmail.com
NY	Arlinda Eggleston*	33 Washington Avenue N White Plains NY 10603	(914) 268 8363	arlinda33@hotmail.com
NY	David Diaz*	28 Grant Ave Albertson, NY 11507	(516) 833 5964	DAVIDD332@GMAIL.COM
NY	Fiona Chin*	3752 78th St. Jackson Heights, NY 11372	(917) 385 5855	fionac611@gmail.com
NY	Hasbleidy Gaenslen*	546 Scarborough Rd Briarcliff Manor NY 10510	(347) 345 6498	gaenslen_melo@outlook.com
NY	Johny Taveras*	929 Gloucester Ct Westbury NY 11590	(646) 673 3585	johntaveras@gmail.com
NY	Kevin Taylor*	1935 Huth Road Grand Island, NY 14072	(716) 946 7949	kevin1964taylor@gmail.com
NY	Michael Alsid*	4 Nightingale Path Liverpool NY 13090	(315) 622-4633	mealsid@verizon.net
OH	Roxana Turner	1996 Edgewater Dr Cincinnati OH 45240	(513) 851-6064	roxanaturnermba3339@gmail.com
OR	Eric Spencer*	90845 marquise way Eugene OR 97408	(541) 915 1933	ericry@msn.com
OR	Richard Calcagno*	10420 SW Cornhusker Ave Beaverton OR 97008	(503) 806-9613	rvcalcagno@comcast.net
PA	Andrew Trapuzzano* (2)	6999 Foxcreek Dr Canton, MI 48187	412-496 7276	trapuzzano@gmail.com
PA	Anne Dougherty*	25 Laurence Place Plymouth Meeting, PA 19462	215 316-8993	anne.stallman@hotmail.com
PA	Erik Lingren*	768 Venango Av Pittsburgh PA 15209	412-735 3025	erikwilliamlingren@gmail.com
PA	Jonathan Wirth	2484 W Pine Grove Road Pennsylvania Furnace PA 16865	814-571-6346	jtw959@msn.com
PA	Karen Douglas	3216 Tynng Ln Downington PA 19335	610-873 7244	MEN526@menchiesfrozenyogurt.com
PA	Katarna (Kat) Hauben	329 Sherwood Drive Yardley PA 19067	212 833 0640	menchiespa@gmail.com

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PA	Michael Fineman	104 Lombard St Philadelphia, PA 19147	(267) 265 7048	mbf130@gmail.com
SC	Stuart Nichols	730 Main Street, Number 378 North Myrtle Beach, SC 29582	(417) 793 1204	snichols@alum.mit.edu
TN	Craig Wehinger*	1133 Willowood Road Knoxville TN 37922	(865) 719 8764	craigwehinger@hotmail.com
TN	Jill Green*	1063 Restoration Drive Chattanooga, TN 37421	(423) 618 5870	tnneyland@aol.com
TN	Sue Carr	543 Rush Branch Road Pigeon Forge TN 37863	865 604 2124	Bsuecarr@yahoo.com
TX	Adrian Gonzalez* (2)	900 Hawk Valley Dr Little Elm, TX 75068	(972) 364 1951	amgm5517@gmail.com
TX	Alex Zhai* (3)	7510 Burgoyne Rd Apt 1433 Houston TX 77063	(201) 443 5745	alexzhai0724@gmail.com
TX	Anuar Jobi* (6)	2816 Abbey Rd Brownsville TX 78526	(956) 280 3637	walabi_jobi@hotmail.com
TX	Bill Brown	203 Charlottesville Ave Colleyville TX 76034	(817) 528 9137	williamobrowndfw@gmail.com
TX	Craig Swensen*	4316 Crystal Lane Loop SE Puyallup WA 98372	(253) 848 1558	rcswen@gmail.com
TX	Craig Turczynski*	1233 Eagle Point Road Van Alstyne TX 75495	469 877-4821	turczdad@aol.com
TX	Danny Vaswani* (2)	809 Camino De Paz El Paso, TX 79922	915-487 2755	danny@casahinduinc.com
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TX	Eric Morhet		281 678 8172	EAMSDM@SBCGLOBAL.NET
TX	Gabriel Pohl* (3)	12517 Calistoga Way Austin TX 78732	5125746137	johnestherllc@gmail.com
TX	Gary Novit* (5)	3140 Sun Drenched Path Austin TX 78732	(512) 415 1251	gnovit@austin.rr.com
TX	Hemant Patel	4811 Mountain Timber Drive Friendswood, TX 77546	281-482 2689	hemantpatel3@gmail.com
TX	Jack Page* (4)	2802 Wolfberry Dr Manvel TX 77578	832 457 2548	jpage_menchies@gmail.com
TX	James Sneed*	3461 Whitney Way Hurst TX 76054	817-498 9774	jsneeds@swbell.net
TX	James Wilcox* (4)	10750 FM 2354 Bayton TX 77523	(281) 857 7993	jwilcox@vai-houston.com
TX	John Sierra	9938 Jasmine Creek Dr Austin TX 78726	(512) 496-4454	jmsierra57@gmail.com
TX	Juan Cruz* (3)	5501 N Stanton Unit D15 El Paso TX 79912	(915) 472 9118	paulinaZaragozaC@gmail.com
TX	Karen Sellers* (5)	PO Box 1085 East Bernard, TX 77435	713 252 5683	stxfroyo@yahoo.com
TX	Kristine McBride*	1223 Huntington Dr Richardson, TX 75080	214-418 6757	ksmcbrideot@tx.rr.com
TX	Krupal Patel	1709 Riviera Drive Longview TX 75605	469 226 7823	krupal.patel@yahoo.com
TX	Lisa Blank* (2)	26204 Old Fredricksburg Rd Boerne TX 78015	210 215 2991	
TX	Maher Altamimi*	9555 Lebamon Rd Suite 203 Frisco TX 75035	(972) 342 2616	Maher.altamimi@gmail.com
TX	Maria Bologna*	819 Broken Arrow Missouri City TX 77459	(973) 951 1905	littlemb8@yahoo.com
TX	Meredith Bruce*	2425 McKeever Rd Rosharon TX 77583	281 380-9377	meredithlb71@gmail.com
TX	Michael Hayzlett*	2505 Glenoaks Ct Bedford Tx 76021	817 793-4443	michaelhayzlett@yahoo.com

State	Franchise Owner	Address	Telephone	Email
TX	Michael Landess*	4415 79th Street Lubbock, TX 79424	806 368 7031	landess@suddenlink.net
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TX	Moses Kovalchuk*	6068 Northview Ct Aubrey TX 76227	(940) 600 3333	moseskovalchuk@yahoo.com
TX	Oscar Rojas* (3)	6110 Menor Crest Dr Spring TX 77388	(281) 292 2980	orojass@eastern gulfsvcs.com
TX	Rey Cintra* (2)	25807 Forest Spring Ln Spring TX 77373	(281) 935 7863	reycintra@me.com
TX	Saleem Hirani* (3)	6208 Tynng Circle Frisco TX 75035	248 819 8385	saleem.hirani@gmail.com
TX	Suhail Rahim	5016 Cassidy Lane Fort Worth TX 76244	817 908 2012	suhailrahim@gmail.com
TX	Terrance Sookdeo	10600 Six Pines Dr The Woodlands TX 77380	(337) 298 5505	tsookdeo@hotmail.com
TX	Thomas Ward* (4)	21203 Promontory Circle San Antonio TX 78258	(210) 481 1816	toanwa@gmail.com
TX	Amita Bhalla*	200 Los Frailes Friendswood TX 77546	832 693 8516	amitabhalla@me.com
TX	Caryl Whittington	1211 S Adams St Fort Worth, TX 76104	(817) 657 2903	cewhitt2@gmail.com
TX	Michael Humphrey* (3)	429 East Kesley Lane St Johns FL 32259	(904) 287 7081	michael.c.humphrey@ehi.com
TX	Robin Parfan	2001 South Mopoc Exprwy #2226 Austin TX 78746	(512) 243 7314	robin.parfan@seventhmo.com
UT	Deb Fuller	13040 Old West Ave San Diego CA 92129	(858) 365 7211	deb.fuller@outlook.com
UT	Jim Reeves*	639 W 2825 N Pleasant View UT 84414	(801) 633 5786	jimreevesre@yahoo.com
VA	Amir Keshvarnia	1655B N Van Dorn Street Alexandria, VA 22304	(571) 426-5308	aknow92@gmail.com
VA	Brian Davenport* (3)	6009 Marilyn Dr Alexandria, VA 22310	(703) 216 0081	briandavenport33@gmail.com
VA	Deon Botha*	8112 W End Drive Crozet VA 22932	(434) 205-4398	deon5@me.com
VA	Glenn Morrison	140 Janes Way Winchester VA 22602	(540) 664 9489	morrisonch@comcast.net
VA	Ken Winger*	4311 Newbold Court Woodbridge VA 22192	703 906 5041	3
VA	Nureddin Aman	1478 Kingsteam Dr Herndon VA 20170	(703) 582 9155	goaaall@yahoo.com
VA	Suzie and Jim Altieri	408 Carolina Avenue Virginia Beach VA 23451	757 692 2221	saltiere@me.com
WA	Amy Scherrer*	2715 West Drarus St Seattle WA 98199	206 708 0159	amyscherrer@gmail.com
WA	Aziz Hassouneh	2731 SE 4th St Renton, WA 98056	(425) 706 0729	ashassouneh@gmail.com
WA	Brian Ferrill*	2814 152nd Pl NW Stanwood WA 98292	(360) 654 1320	brian.k.ferrill@gmail.com
WA	Derek Walton* (4)	5620 Old Settler Dr Ferndale WA 98248	(604) 250 9288	dwalton@jsn.usa.com
WA	Jodie Davis*	16230 119th Pl NE Bothell WA 98011	206 799 9191	
WA	Joe Sauvage	2634 32nd Ave West Seattle WA 98199	(206) 898-4821	sauvagehoops@comcast.net
WA	Julio Ibarra* (3)	902 197th Avenue SE Sammamish WA 98075	(425) 998 3297	jibarrab@live.com
WA	Justin Lee	7206 Quincy Ave SE Auburn WA 98092	(415) 999 0037	poweredbyjuice@gmail.com
WA	Kay Ramzan*	2497 132nd Ave SE Bellevue WA 98005	(425) 443 2922	kayramzan@aol.com
WA	Kent Radek	9002 NE 152nd Place Kenmore WA 98028	425 205 7511	sporadek@gmail.com
WA	Melissa Forslund* (3)	13529 137th Pine Kirkland WA 98034	425 681 3489	lissarn@gmail.com

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WA	Saqab Husain	16423 41st PL W Lynnwood, WA 98037	(206) 856 5881	saqabhusain@ymail.com
WA	Shawna Meyer Ravelli* (3)	6906 NW 192nd Street Ridgefield WA 98642	650-996 8885	shawnaravelli@gmail.com
WA	Sulaiman Pradhan*	20213 83rd place NE Kenmore WA 98028	(425) 221-4453	menchies440@gmail.com
WA	Tyler Zamanek*	13702 231st St E Graham WA 98338	(253) 370-1921	tzamanek11@gmail.com
WI	Andrew Morrison	3801 Woodland Trail Waukesha, WI 53188	(262) 782 2322	morrisona@dencomfg.com
WI	Richard Sachse* (4)	9906 Talons Way Verona, WI 53593	(608) 203 8464	richsachse@wisconsinfroyo.com
WV	Heath Ellis*	PO Box 224 Justice, WV 24851	304-784 5417	devco@lightlynx.net

Franchisees and Subfranchisees that Left the System During 2014

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

*Indicates Multi-Unit Developer

Closures

Franchisee	City	State	Telephone
Stewart, Wayne and Cindy	Waterloo	AL	662-361-7833
Stefanec, Richard and Hunter Handley	Tarzana	CA	818-427-8051
Sturges, Randy*	Studio City	CA	818 980 1600
Rabello, Moacyr*	Miami	FL	305 205 9742
Parel, Matthew *	West Palm Beach	FL	561 798 5542
Whitacre, Beth	Roanoke	IN	260 672 0166
Libertson, Edward*	Manaiapan	NJ	732 780 5305
Vargo, Michael	North Canotn	OH	330 705 4064
Khanthan, Suganya*	Horsham	PA	(215) 284-6663
Hernandez, Mark and Stephanie*	Lake Wyliem	SC	803-627-7398
Page, Jack and Kelly*	Houston	TX	832 457 2548
Ashcraft, Jay* (2)	Richmond	VA	804 564 5682
Brendlinger, Jodie and Carl*	Ashburn	VA	703-328-3939
Sachse, Richard*	Delavan	WI	(608) 203-8464

Transfers

Franchisee	City	State	Telephone
Guefen, Eric	Los Angeles	CA	310 863 5972
Spishak, John	Studio City	CA	818 398 3860
Lahooti, Hooman	Calabasas Hills	CA	818-207-0705
Levin, Alan*	Pacific Palisades	CA	(310) 899-5700
Florendo, Cheryl and Noel & Mendoza, Carrah*	Encino	CA	310 622 5056
Melo, Guilherme*	Winter Green	FL	407-347-3788
Wilson, Bob & Valerie	Apollo Beach	FL	813-235-3472
Mehta, Shan*	Orlando	FL	407-288-0493
De Azevedo, Ricardo	Orlando	FL	305 972 8966
Dodson, Rick*	Plantation	FL	(954) 520-2688
Elias, Randy	Smnyra	GA	(678) 468-3541
Shuler, Steve*	Atlanta	GA	404 307 0281
Brehm, Dale* (2)	Covington	LA	(504) 491-3253
Samson, Danny* (2)	Detroit	MI	313 570 6264

Franchisee	City	State	Telephone
Bradley, Jon*	Duluth	MN	218 341 9713
Campbell, Jim	DeSoto	MO	(314) 420-6981
Martone, Lauren and Jonathon*	Wynnewood	PA	610-896-7620
Martin, Andrew & Branter, Andy* (11)	Houston	TX	650-224-7221
Momin, Karim*	Sugarland	TX	(404) 641-7332
Davis, Joe & Jodi*	Bothell	WA	(206) 799-9191
Gaynor, Jonathan*	Seattle	WA	425 443 8884
Whitley, Dave & Sadie*	Woodinville	WA	206-601-2044

Terminations (Signed Franchise Agreements but Never Opened)

Franchisee	City	State	Telephone
Palomar, James*	Brentwood	CA	(925) 337-3142
Engelson, Steve*	St Louis Park	CA	952-255-9855
Lewis, Randy*	Fort Meyers	FL	(706) 781-6853
Sangwan, Neera	Jacksonville	FL	904-363-1626
Amin, Milit*	Punta Gorda	FL	(727) 492-3247
Ciancia, Larry*	Vero Beach	FL	303 888 7799
Patel, Himanshu	Albany	GA	502 415 5468
Chiou, Ning and Chang, Kwang*	Macon	GA	706-332-9446
Dey, Lucy	Orland Park	IL	708-478-5667
Hanselman, J Michael and Jamie*	Frederick	MD	301-471-7692
Frank, David and Stauss, Noah*	Bloomfield Hills	MI	(248) 646-8594
Yatooma, Imad*	Clinton Township	MI	(248) 797-0049
Bradley, Jon*	Duluth	MN	218-341-9713
Posternak, Jake	Portsmouth	NH	603-502-4406
Awni, Zaid*	Marlboro	NJ	818 535 8558
Berger, Gary*	Marlboro	NJ	732-536-7183
Kapla, Denise and Joe*	Mayfield Heights	OH	(651) 269-5724
Khaykin, Michael and Alex	Mayfield Heights	OH	(440) 336-3764
Wykstra, John and Libby*	West Mansfield	OH	937-407-1855
Zwerling, David*	Portland	OR	(503) 866-3027
Carmella, Sam*	Carnberry Township	PA	724 453 1115
Barry, Steve and Jean*	Brentwood	TN	(615) 351-4162
Murray, Michael & Felicia*	Mckinney	TX	(469) 424-1390
Henry, John and Anita*	Spicewood	TX	(512) 695-9522
Baron, Karin and Werner	Shammamish	WA	425 522 4689

Exhibit J

RECEIPTS

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain English. Read this Disclosure Document and all agreements carefully.

If Menchie's Group, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Iowa, New York, Oklahoma and Rhode Island require that Menchie's Group, Inc. give you this Disclosure Document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan and Oregon require that Menchie's Group, Inc. give you this Disclosure Document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Menchie's Group, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Menchie's Group, Inc., located at 17555 Ventura Boulevard, Suite 200, Encino, California 91316. Its telephone number is (818) 708-0316.

Issuance Date April 30, 2015

The name, principal business address and telephone number of each franchise seller offering the franchise

<input type="checkbox"/> Amit Kleinberger	<input type="checkbox"/> Brian Melaney	<input type="checkbox"/> Joe Matthews	<input type="checkbox"/> Frank Morrison
<input type="checkbox"/> Tom Regev	<input type="checkbox"/> Paul Martell	<input type="checkbox"/> Michael Mudd	<input type="checkbox"/> Angela Shaw-Long
<input type="checkbox"/> Tamara Blancher	<input type="checkbox"/> MJ Kwon		
Principal business address and telephone number for each franchise seller identified above is 17555 Ventura Boulevard, Suite 200 Encino, CA 91316, (818) 708-0316			

Menchie's Group, Inc. authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I have received a Disclosure Document dated April 30, 2015 (please also see the State Effective Dates Page), that included the following Exhibits: (A) Agents for Service of Process & State Administrators, (B) Financial Statements, (C) Franchise Agreement, (D) Multi Unit Agreement, (E) Computer and Software Requirements, (F) Operations Manual Table of Contents, (G) State Addenda, (H) General Release, (I) List of Franchisees and Subfranchisees in the System, and (J) Receipts.

Date _____

Signed _____

Print Name _____

Address _____

City _____ State _____

Phone (____) _____ Zip _____

Date _____

Signed _____

Print Name _____

Address _____

City _____ State _____

Phone (____) _____ Zip _____

Prospective Franchisee's Copy

RECEIPT

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Date _____

Signed _____
Print Name _____
Address _____
City _____ State _____
Phone (____) _____ Zip _____

Date _____

Signed _____
Print Name _____
Address _____
City _____ State _____
Phone (____) _____ Zip _____

Menchie's Copy