

**FRANCHISE DISCLOSURE DOCUMENT**  
**BEARFRUIT FRANCHISE CORPORATION**

a California corporation  
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Costa Mesa, CA 92656  
Telephone: (657) 218-9025  
<http://www.bearfruitjewelry.com>

# **BEARFRUIT**

## **J E W E L R Y**

Bearfruit Franchise Corporation offers you the opportunity to operate a Bearfruit jewelry franchised business, which includes (1) the right to operate a fixed location Bearfruit retail jewelry store or kiosk or (2) the right to sell Bearfruit jewelry at one or more events such as fairs, festivals or similar type events in your territory. The total investment necessary to begin operation of a Bearfruit franchise is approximately \$231,200 to \$515,000, which includes \$152,000 to \$176,000 that must be paid to us or our affiliate.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payments to the Franchisor or its 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 Amy Lee, 3151 Airway Ave, Suite G-3, Costa Mesa, CA 92656, (657) 218-9025, [franchise@bearfruitjewelry.com](mailto:franchise@bearfruitjewelry.com).

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, N.W., Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

**THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS MARCH 13, 2023.**

## How to Use This Franchise Disclosure Document

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

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

## **What You Need to Know About Franchising *Generally***

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

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

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

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

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

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

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

## **Some States Require Registration**

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

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

### **Special Risks to Consider About *This Franchise***

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Turnover rate.** During the last 3 years, a high percentage of franchised outlets (more than 40-50%) were terminated or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.
3. **Inventory Control.** You must make inventory and supply purchases of at least \$100,000 to begin operations and ongoing inventory on a monthly basis in an amount equal to thirty percent (30%) of the Gross Revenue of your Bearfruit Franchised Business for the preceding calendar month, even if you do not need that much. Your inability to make these purchases or to maintain inventory levels at all times may result in termination of your franchise and loss of your investment.
4. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
5. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

**BEARFRUIT FRANCHISE CORPORATION  
UNIFORM FRANCHISE DISCLOSURE DOCUMENT  
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**ITEM 1**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this Disclosure Document, “the Company”, “we” or “us” means Bearfruit Franchise Corporation, the franchisor of this business. “You” means the partnership, limited liability company, corporation or other entity who buys the franchise, and includes your owners.

**The Franchisor.** We were incorporated in California on December 7, 2015. Our principal business address is 3151 Airway Ave, Suite G-3, Costa Mesa, CA 92656. We do business under our corporate name as well as under the trade name and service mark “Bearfruit”. We do not do business under any other names. We began offering franchises for sale in 2017. We do not operate a business of the type being franchised. Our agents for service of process are listed in Exhibit F.

**Our Parents, Predecessors and Affiliates.** We have no parent companies. Except as noted below, we have no predecessors or affiliates.

Our predecessor, Bearfruit, Corp. (“BC”), was incorporated in California on December 30, 2014. From February to November 2015, Andrew Yoo, President of BC, and BC granted franchisees (the “Existing Franchisees”) the right to use the “Bearfruit Marks” and the “Bearfruit System” to operate Bearfruit kiosks under Franchise Agreements with Andrew Yoo and BC, respectively (the “Existing Franchise Agreements”). In 2017, Andrew Yoo and BC ceased offering Franchise Agreements or granting any rights to franchisees to operate these businesses and assigned the Existing Franchise Agreements to us. BC was dissolved as of November 19, 2019.

Namu & J, Inc. (the “Operating Company”), was incorporated in California on January 17, 2019, with the same principal address as ours. The Operating Company owned and operated 2 Bearfruit stores in California between January 2022 and May 2022. In June 2022, ownership of the 2 Bearfruit stores was transferred to our affiliate, Amnixflux LLC (the “California Affiliate”), a California limited liability company, formed on March 4, 2021, with the same principal address as ours. As of the date of this Disclosure Document, the California Affiliate owns and operates 4 Bearfruit locations in California. The California Affiliate may own or operate additional Bearfruit locations in the future.

JC&Y, Inc. (the “Colorado Affiliate”), was incorporated in Colorado on September 8, 2022, with a principal address located at 225 S. Broadway #9950, Denver, CO 80209. The Colorado Affiliate was formed to reacquire 3 franchised Bearfruit stores in Colorado. As of the date of this Disclosure Document, the Colorado Affiliate owns and operates 3 Bearfruit locations in Colorado. The Colorado Affiliate may own or operate additional Bearfruit locations in the future.

Except as described above, neither we, the Operating Company, the California Affiliate, nor the Colorado Affiliate have offered franchises for sale in this or any other line of business. The Operating Company provides marketing and jewelry and store design services to us and is also an approved vendor.

**The Bearfruit Franchised Business.** This Disclosure Document describes our franchise program, which is an opportunity to sell Bearfruit jewelry (a “Bearfruit Franchised Business”), including rings, necklaces, earrings and bracelets, at one retail store or kiosk at an approved location within your territory or an unlimited number of fairs, festivals or similar events within your territory subject to our approval in each instance. You will operate your Bearfruit Franchised Business under the tradename “Bearfruit” and such other trade names, service marks and trademarks (the “Bearfruit Marks”) that we designate and the Bearfruit business methods and programs (the “Bearfruit System”). Bearfruit jewelry consists of hand-crafted and artfully designed jewelry made from precious metals such as silver, gold and rhodium and include natural stones (the “Bearfruit Collection”).

**Bearfruit Franchise Program.** You will sign our Franchise Agreement (Exhibit A) to operate a Bearfruit Franchised Business at a location that you choose and we accept (the “Franchised Location”). Franchisees may be individuals or entities that meet our then-current requirements for non-individual franchisees. These requirements may include the signing of personal guarantees by some or all the individuals holding an equity interest in the Bearfruit Franchised Business.

**Competition.** Bearfruit Franchised Businesses will typically be in shopping centers, strip malls and similar retail locations with easy access. The market for retailers offering hand-crafted and artfully designed jewelry is well developed and sales, although typically non-seasonal, may be higher during the holidays. You will compete with other retail businesses that offer jewelry to mid- to high-income consumers. You may also face competition from other Bearfruit franchisees, from stores or kiosks we own, or from other distribution or competitive brands that we, our affiliates or other franchisees control.

**Industry-Specific Regulations.** There are no special regulations specific to the retail sale of jewelry that affect the business being franchised. You must comply with all local, state and federal laws that apply to your Bearfruit Franchised Business. You should consult with your attorney concerning any license requirements that may affect your Bearfruit Franchised Business. You are responsible for complying with all local, state and federal laws in the operation of your Bearfruit Franchised Business.

## **ITEM 2** **BUSINESS EXPERIENCE**

### **Andrew Yoo, Founder and Chief Executive Officer**

Andrew Yoo is our Founder and has served as our Chief Executive Officer since December 2015. Mr. Yoo is also the Founder and President of the Operating Company. Between 2015 to 2016, Mr. Yoo owned and operated 2 Bearfruit locations in California. From March 2014 to December 2014, Mr. Yoo owned and operated Bearfruit Succulents in Irvine, California.

### **Amy Lee, Operations Manager**

Amy Lee is our Operations Manager in Costa Mesa, California and has served in this capacity since October 2017.

### **Monica Lowell, Regional and Franchise Manager**

Monica Lowell is our Regional and Franchise Manager in Costa Mesa, California and has served in this capacity since January 2015.

### **Jae Chang, Legal and Investment Relations Manager**

Jae Chang is our Legal and Investment Relations Manager in Costa Mesa, California and has served in this capacity since May 2022.

**ITEM 3**  
**LITIGATION**

Franchisor is currently subject to pending action:

**Title:** GFP CREATIVE, INC. VS. BEARFRUIT FRANCHISE CORPORATION

**Case Number:** 30-2021-01184496-CU-BC-CJC

**Initial Filing Date:** February 16, 2021

**Name of the Parties:** Plaintiff, GFP Creative, Inc., a California corporation dba “Common Journey” and Defendants, Bearfruit Franchise Corp., a California corporation; Namu & J. Inc., a California corporation; and Andrew Yoo, an individual

**Forum:** Superior Court of California, County of Orange

**Summary:** GFP filed a complaint against Franchisor and its affiliated companies for claims of breach of contract under a certain marketing and design service contract dated March 18, 2020 wherein GFP allegedly suffered damages from unpaid compensation.

**Status:** The parties have settled this dispute as of March 1, 2022 and this case has been dismissed as of April 14, 2023. Under the terms of the Settlement Agreement and in consideration for the settlement and releases contained therein, Defendants shall pay to Plaintiff an amount equal to \$200,000, payable in one initial payment of \$80,000 and 12 monthly installments of \$10,000.

**ITEM 4**  
**BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5**  
**INITIAL FEES**

**Bearfruit Franchised Business.** You must pay us an initial franchise fee of \$40,000 (the “Initial Franchise Fee”) to operate a Bearfruit Franchised Business when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable. You must also pay us \$2,000 for pre-opening training and \$100,000 for an opening inventory of the Bearfruit Collection. This amount is payable to us and will consist of a variety of pieces from the Bearfruit Collection, including rings, necklaces, earrings and bracelets. If you operate a Bearfruit kiosk or temporary location, you must also pay us \$10,000 as a kiosk design fee. If you operate a permanent inline/stand-alone Bearfruit store, you will not pay a kiosk design fee; instead, you must pay us a store design fee of \$30,000. The design fee does not include any construction, remodeling or additions necessary to conform the Franchised Location with all applicable federal, county, city and local laws and rules and meet our requirements for the layout, design, construction and trade dress appearance of a Bearfruit retail store.

**Different Fees.** Except as otherwise described above, the Initial Franchise Fee, opening inventory and design fee are fully earned by us and/or our affiliate when paid and are not refundable under any circumstances. The Initial Franchise Fee, opening inventory and design fee are uniform to all parties applying to purchase a Bearfruit Franchised Business. We may, however, reduce, defer or waive the Initial Franchise Fee, opening inventory or design fee when we determine it is warranted by a unique or compelling situation, for example, where there might be some accounting reconciliation with the applicant in question where a credit may be owed on the amount payable under a franchise agreement. As of the date of this Disclosure Document, the Franchisor has not reduced, deferred, or waived the initial fee for any California

franchisee.

**ITEM 6**  
**OTHER FEES**

NAME OF FEE	AMOUNT	DUUE DATE	REMARKS
Royalty Fees	5% of Gross Revenue	On the 5th day of each month.	“Gross Revenue” means the total of all revenues of any nature or kind whatsoever that you derive from the operation of your Bearfruit Franchised Business during the term of your Franchise Agreement, whether evidenced by cash, services, property, barter, or other means of exchange. “Gross Revenue” does not include the amount of bona fide refunds paid to customers and the amount of any sales or use taxes paid to any governmental authority.
Advertising Fees	1% of Gross Revenue	On the 5th day of each month.	
Minimum Inventory Order	\$500	Upon order.	Payable to the Operating Company when you order additional inventory.
Manual Replacement Fee	\$500	Upon demand.	Payable if you misplace the Manuals or fail to return them to us upon demand.
Renewal Fee	\$5,000	When you exercise an option to renew your Franchise Agreement.	Payable when you renew your Franchise Agreement.
Transfer Fee	\$13,000	Upon closing.	Payable when you transfer your Franchise Agreement.
Late Fees and Interest	15% per year or the highest amount allowed by law, calculated weekly	Upon demand.	Payable if we are not paid because of insufficient funds or if were not paid promptly when payments are due.
Liquidated Damages	The Royalty Fees paid (or if unpaid, payable) during the 12 months immediately preceding the termination date.	Within 30 days following the date of termination.	Payable only if you default and we terminate your Franchise Agreement before the expiration date of your Franchise Agreement.
Audit Fees	Cost of audit plus interest at the highest rate allowed by law (not to exceed 18%) from the date of underpayment.	Upon demand.	Payable only if an audit reveals an understatement of 3% or more of Gross Revenue.

Gross-Up Fees	Varies with circumstances	Upon demand.	If we are taxed on your use of our intellectual property or other intangibles or on the existence of your Franchise Agreement, you must pay us the amount of all taxes we must pay to ensure that we receive our full Royalty Fees.
New Supplier Testing Fees	Up to \$500	As incurred with the deposit payable before investigation.	If you propose to purchase any equipment from a supplier that we have not previously approved, we have the right to inspect the supplier's facilities and equipment and you must reimburse us for costs to do so.
Post-Termination Fee	5% of the revenue you derive from the gross revenue of a competitive business.	On the 5 <sup>th</sup> day of each month on the gross revenue of the competitive business during the previous month.	Payable only if you violate an enforceable covenant not to compete after the expiration, transfer or termination of your Franchise Agreement.
Reimbursement of money we pay on your behalf	Varies with circumstances	On the 5 <sup>th</sup> day of each month.	Covers any payments you fail to make that we make on your behalf.
Attorneys' Fees, Expenses and Costs	Will vary under circumstances	Upon demand.	If we incur legal expenses to enforce any provision of your Franchise Agreement, we can recover our attorney's fees, expenses and court costs.
Indemnification Expenses	Will vary under circumstances	Upon demand.	You must indemnify, defend and hold us and our affiliates free and harmless from all claims of third parties arising out of your Franchise Agreement and your Bearfruit Franchised Business.
Additional Training Fee	\$40 per hour	Upon demand.	Payable if you require more training or related assistance than our usual training program and routinely scheduled visits.
Interim Management Fee	To be determined	Upon demand.	If you are in default under your Franchise Agreement, and we elect to assume interim management of your Bearfruit Franchised Business during the pendency of any cure period or in lieu of immediately terminating your Franchise Agreement, we may charge you a reasonable fee for our management services.

All fees are imposed by, and payable to, us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**BEARFRUIT FRANCHISED BUSINESS**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT (LOW/HIGH)</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS MADE</b>
Initial Franchise Fee <b>(Note 1)</b>	\$40,000	Cash	When you sign the Franchise Agreement	Us
Opening Inventory <b>(Note 1)</b>	\$100,000	Cash	When you sign your Lease	Us
Design Fee <b>(Note 2)</b>	\$10,000 - \$30,000	Cash	When you sign your Lease	Us
Construction/Remodeling <b>(Note 2)</b>	\$60,000 - \$250,000	As arranged	As incurred	Approved Vendor
Training Expenses, Including Travel and Living Expenses While Training <b>(Note 3)</b>	\$2,000 - \$6,000	As arranged	Before your Opening Date	Us
Security Deposit/Prepaid Rent <b>(Note 4)</b>	\$6,000 - \$50,000	As arranged	As required by Landlord	Landlord
POS System <b>(Note 5)</b>	\$1,500 - \$5,000	As arranged	Before your Opening Date	Approved Vendor
Office and Retail Supplies <b>(Note 6)</b>	\$200 - \$2,000	As arranged	Before your Opening Date	Various Vendors
Insurance <b>(Note 7)</b>	\$200 - \$5,000	As arranged	Before your Opening Date	Insurance Agent
Business Licenses	\$100 - \$2,000	Cash	Before your Opening Date	City, County, State
Professional Services (Legal and/or Accounting)	\$1,000 - \$4,000	As arranged	Before your Opening Date	Various Vendors
Phone and Utilities <b>(Note 8)</b>	\$200 - \$1,000	As arranged	Before your Opening Date	Phone, Utility Companies
Other Operating Funds (initial 3 months) <b>(Note 9)</b>	\$10,000 - \$20,000	As arranged	As incurred	Approved Suppliers, various vendors and employees
<b>TOTAL (Note 10)</b>	<b>\$231,200- \$515,000</b>			

## **NOTES**

1. The Initial Franchise Fee and opening inventory costs are described in Item 5 of this Disclosure Document. The Initial Franchise Fee and opening inventory costs are not refundable in whole or in part except as otherwise described in Item 5. We do not provide financing for the Initial Franchise Fee or the opening inventory.
2. If you are opening a kiosk or temporary location, you must pay us a kiosk design fee of \$10,000. The kiosk design fee is not refundable in whole or in part except as otherwise described in Item 5. If you are opening a permanent inline/stand-alone location, you will not pay a kiosk design fee; instead, you must pay us a store design fee of \$30,000. You must perform or have performed any construction, remodeling or additions necessary to conform the Franchised Location with all applicable federal, county, city and local laws and rules and meet our requirements for the layout, design, construction and trade dress appearance of a Bearfruit retail store. Construction and remodeling costs vary widely depending on the location, design, configuration and condition of the premises. You must grant us a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory and supplies located at or used about your Bearfruit Franchised Business. The cost of constructing a building shell and remodeling is not included.
3. You must decide for and pay the expenses of persons attending our Initial Training Program (as defined in Item 11), including transportation, lodging, meals and wages. We provide pre-opening training for a fee of \$2,000 for up to 2 persons, and you must pay a fee of \$300 per day for each additional attendee you send. The amount expended will depend, in part, on the distance you must travel and the type of accommodations you choose. The estimate provided contemplates the costs for 2 people attending the Initial Training Program for 5 to 6 days.
4. You will be required to pay rent, and may be required to pay a security deposit at the beginning of your lease or license agreement with the landlord or operator. The deposit range for kiosks is estimated to be from \$1,500 to \$15,000 and the security deposit range for an in-line fixed location store is estimated to be from \$4,000 to \$50,000. Rent will depend on numerous factors such as the type of Franchised Business (kiosk or fixed location), size, condition and location of the leased location. More specifically, the lease range for kiosks is estimated to be from \$1,500 to \$15,000 and the lease range for an in-line fixed location store is estimated to be from \$4,000 to \$50,000 per month.
5. This estimate is for a point-of-sale system. The figure provided is the cost to purchase a computerized cash accounting and point of sale system, including installation. Your costs may vary. Currently we recommend Square POS System. Your point-of-sale system must conduct credit card and gift card transactions at your store.
6. You agree to use only the supplies we specify or approve. If you are opening a permanent retail location, we will only allow office and retail supplies that support the image of the Bearfruit System in the marketplace. Supplies of this nature include format, type, decoration and style as they relate to retail and office supplies. These costs are based upon our estimate of the initial supplies.
7. The figure given is the current annual rate if you obtain all insurance required in the Franchise Agreement. You must also obtain property and casualty insurance, which varies by size and location of the Bearfruit Franchised Business. We estimate that the annual cost of all required insurance coverage will range from \$200 to \$5,000. You may also have an obligation under state law to obtain workers compensation or other forms of insurance. We estimate that the annual cost of workers' compensation will range from \$600 to \$6,600.

8. If you are opening a kiosk or temporary location, you must have a broadband Internet connection. In some instances, the shopping mall or center will provide an Internet connection to you as part of your lease. If you are opening a retail store, you must have a separate business phone line and answering machine or voicemail used exclusively for your Bearfruit Franchised Business, and a broadband Internet connection.

9. You must always maintain adequate reserves and working capital sufficient for you to fulfill all your obligations under your Franchise Agreement and to cover the risks and contingencies of your Bearfruit Franchised Business for at least 3 months. The estimates provided above include estimated employee wages, including pre-opening training for 2 persons, opening cash, and other miscellaneous expenses incurred before you begin operating your Bearfruit Franchised Business and during the first three months of operations. These amounts are the minimum recommended levels to cover operating expenses, including employees' salaries for 3 months. However, we cannot guarantee that those amounts will be sufficient. We have relied upon the experience of the Operating Company in developing these estimates. You should review these estimates carefully with a business advisor before making any decision to purchase the Bearfruit Franchised Business.

10. These are estimates only. All of these amounts are non-refundable unless otherwise noted. You should review these figures carefully with a business advisor before making any decision to invest in the franchise.

#### **ITEM 8** **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

To ensure that the highest degree of quality and service is maintained, you must operate your Bearfruit Franchised Business in a professional and high-quality manner and in strict conformity with the Franchise Agreement and Manuals.

You must purchase Bearfruit merchandise only from us and you must meet the minimum inventory order requirements as set forth in your Franchise Agreement. You must make ongoing inventory purchases on a monthly basis in an amount equal to thirty percent (30%) of the Gross Revenue of your Bearfruit Franchised Business for the preceding calendar month. Your inability to make these purchases or to maintain inventory levels at all times may result in termination of your franchise and loss of your investment. You must only sell the Bearfruit Collection using Bearfruit advertisements, point-of-sale materials, packaging, jewelry displays and related promotional accessories and merchandising tools and equipment. We will provide you with a site/floor plan to conform the Franchised Location with all applicable federal, county, city and local laws and rules and meet our requirements for the layout, design, construction and trade dress appearance of a Bearfruit retail store as part of your design fee. You may exchange any defective merchandise for new items of the same kind. Any new merchandise that has been sold or worn by customers is not eligible for return or exchange with us or the Operating Company. You may only sell jewelry from the Bearfruit Collection at your Bearfruit Franchised Business and you may only purchase the Bearfruit Collection from us.

To purchase items from us, you must use the form of purchase order we provide. We may change our prices, delivery terms and other terms upon prior written notice, but our prices to you will be the same as the prices charged to similarly situated franchisees.

If you desire to purchase equipment from other than our approved suppliers, you must submit a written request to us for approval of the proposed supplier, together with any evidence of conformity with our

standards and specifications as we may reasonably require, or shall request the supplier itself to do so. We may inspect and evaluate the supplier's facilities and equipment before we approve or disapprove your proposed supplier, and you must pay all of our reasonable costs and expenses incurred in doing so. You will pay us an evaluation fee of up to \$500 per supplier before each inspection. You may not use a supplier before we approve the supplier in writing. A supplier must demonstrate to our reasonable satisfaction that it can supply an item meeting our standards and specifications for the item, that it is in good financial standing in the business community and that its merchandise and services are reliable. We will provide you with our specifications and standards and our criteria for approval of suppliers and will approve or disapprove a proposed supplier in 60 - 90 days. We will notify you if and when we no longer approve a previously approved supplier. A supplier must continually adhere to our standards and specifications to maintain its approval.

In the year ended December 31, 2022, our Operating Company's revenues from the sale of Bearfruit merchandise to franchisees was \$445,467 or 32.3% of our Operating Company's total revenues of \$1,377,779. We estimate that your purchase of products from approved suppliers will represent 45% of your total initial investment and 20-30% of your overall purchases in the operation of your Bearfruit Franchised Business. Other than the Operating Company, there are no approved suppliers in which any of our officers owns an interest.

There currently are no franchisee purchasing or distribution cooperatives, but we reserve the right to form cooperatives in the future. If we do so, we will retain the authority to change, dissolve or merge them.

Failure to sell authorized Bearfruit jewelry will, like other matters, be a default under your Franchise Agreement and, may subject you to termination.

**Computer Systems.** You must purchase and install fixtures, furnishings, equipment (including point-of-sale cash collection system), décor and signs that we designate. You may not install any merchandise, furnishings, interior or exterior décor items, supplies, fixtures, or equipment that has not been approved by us in writing.

**Building Specifications.** If you do not operate a kiosk or cart, you must employ a qualified licensed architect or engineer that we designate to prepare a site plan and adopt the building specifications to the specific site and/or adapt the recommended floor plan to the premises.

**Insurance.** You must obtain and maintain, during the term of your Franchise Agreement, insurance policies protecting you. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which your Bearfruit Franchised Business is located in the amounts in the Franchise Agreement. You must deliver certificates of insurance to us evidencing the proper types and minimum amounts of coverage.

**ITEM 9**  
**FRANCHISEE'S OBLIGATIONS**

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

OBLIGATION	SECTION(S) IN AGREEMENT	DISCLOSURE DOCUMENT ITEMS
a. Site selection and acquisition/lease	Sections 1, 5 and 7 of the Franchise Agreement	Items 7, 8 and 11
b. Pre-opening purchases/leases	Sections 5, 7, 10, 11 and 12 of the Franchise Agreement	Items 5, 7, 8 and 16
c. Computer hardware and software	Sections 7 and 10 of the Franchise Agreement	Items 8, 11 and 16
d. Site development and other pre-opening requirements	Sections 1, 5, 6 and 12 of the Franchise Agreement	Items 7, 8, 11 and 16
e. Initial and ongoing training	Section 6 of the Franchise Agreement	Items 6 and 11
f. Opening	Section 5 of the Franchise Agreement	Items 6, 7 and 11
g. Fees	Sections 4, 6, 7, 11, 12, 13 and 18 of the Franchise Agreement	Items 5 and 6
h. Compliance with standards and policies/Manuals	Sections 7, 8 and 9 of the Franchise Agreement	Items 8 and 11
i. Trademarks and proprietary information	Sections 8 and 9 of the Franchise Agreement	Items 11, 13 and 14
j. Restrictions on merchandise/services offered	Section 7 of the Franchise Agreement	Items 8 and 16
k. Warranty and member service requirements	Not Applicable	Not Applicable
l. Territorial development and sales quotas	Not Applicable	Not Applicable
m. Ongoing product/service purchases	Sections 7 and 11 of the Franchise Agreement	Items 8 and 16
n. Maintenance, appearance and remodeling requirements	Sections 2, 5 and 7 of the Franchise Agreement	Items 7 and 16
o. Insurance	Sections 5 and 12 of the Franchise Agreement	Items 8 and 16
p. Advertising	Section 11 of the Franchise Agreement	Items 6, 7, 11 and 13
q. Indemnification	Sections 13 and 19 of the Franchise Agreement	Items 6 and 12
r. Owner's participation/management/staffing	Sections 3, 6, 7 and 10 of the Franchise Agreement	Item 15

<b>OBLIGATION</b>	<b>SECTION(S) IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEMS</b>
s. Records and reports	Section 10 of the Franchise Agreement	Item 11
t. Inspections and audits	Sections 3, 5, 7, 8, 10 and 18 of the Franchise Agreement	Items 6 and 11
u. Transfer	Section 13 of the Franchise Agreement	Items 6 and 17
v. Renewal	Section 2 of the Franchise Agreement	Items 6 and 17
w. Post-termination obligations	Section 15 of the Franchise Agreement	Items 6 and 17
x. Non-competition covenants	Section 16 of the Franchise Agreement	Item 17
y. Dispute resolution	Section 23 of the Franchise Agreement	Item 17
z. Taxes and Permits	Sections 4, 5 and 18 of the Franchise Agreement	Items 1 and 7
aa. Security Interest	Section 4.11 of the Franchise Agreement	Not Applicable

**ITEM 10**  
**FINANCING**

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

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

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

**Before Opening.** We have the following obligations to you before you open your Bearfruit Franchised Business for business:

1. **Site Selection Assistance.** You are solely responsible for selection of the site of your Bearfruit Franchised Business, which will be subject to our review and acceptance. We may, without obligation, assist you in locating a site. If we do not accept the site within 7 days of our receipt of your site presentation package, or within 10 days after receipt of additional information, whichever is later, the site shall be deemed rejected. If you fail to open the Bearfruit Franchised Business for business within 6 months from the date you sign the Franchise Agreement, we can terminate your Franchise Agreement. The factors we consider in accepting Bearfruit Franchised Business locations include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. (Franchise Agreement, Section 1.2).
2. **Manuals.** After you sign your Franchise Agreement, we will loan you one copy of or provide you with electronic access to our Bearfruit Manuals (the “Manuals”) to use during the term of the Franchise Agreement. The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply. (Franchise Agreement, Section 3.4).
3. **Design.** We will make available to you, standard plans and specifications for a Bearfruit retail location that you plan to open. We will provide you with assistance with obtaining equipment, signs, fixtures and supplies. We will provide you with a list of approved vendors for equipment and supplies in addition to specifications and plans for the installation of fixtures and equipment. (Franchise Agreement, Sections 3.1 and 3.6).
4. **Training.** We provide an Initial Training Program and opening assistance as described below. (Franchise Agreement, Sections 3.3 and 6.1). You will be responsible for any and all expenses incurred in connection with attending the training including the costs of transportation, lodging, meals, and any wages.
5. **Advisory Assistance.** We will provide any initial advisory assistance to you as we deem advisable. (Franchise Agreement, Section 3.2).

**Post-Opening Obligations.** We have the following obligations to you during the operation of your business:

1. **Updated Designs and Replacement.** Our designers will develop new pieces for the Bearfruit Collection during the year. The Operating Company will also replace defective merchandise for new items of the same kind. (Franchise Agreement, Section 7.5).

2. **Training Programs.** We will make available training programs for you and your employees as we deem appropriate. (Franchise Agreement, Sections 3.3 and 6.2).
3. **Advisory Assistance.** We will provide continuing advisory assistance to you as we deem advisable, in writing, electronically or through additional training programs. (Franchise Agreement, Sections 3.2 and 3.7).
4. **Manuals.** We will provide you with copies of any modifications to the Manuals. (Franchise Agreement, Section 3.4).
5. **Inspections.** We will inspect your business premises and evaluate your Bearfruit Franchised Business operations, to assist you and to maintain Bearfruit System's standards of quality, appearance and service. (Franchise Agreement, Section 3.5).
6. **Consultation.** We will periodically consult with you concerning the operation of your Bearfruit Franchised Business. (Franchise Agreement, Section 3.7).
7. **Delegation of Obligations.** Our obligations may be performed by any of our employees or agents as we may direct. You consent and agree to the delegation of our obligations to a designee, employee or agent of ours in your Franchise Agreement. (Franchise Agreement, Section 3.8).
8. **Real Estate.** You are solely responsible for locating the Franchised Location, subject to our acceptance. Unless we notify you in writing, within 20 days after you have submitted a site presentation package for a proposed site, or 10 days after receipt of additional information which we request, whichever is later, that the proposed site is acceptable, the site will be deemed rejected. If your Bearfruit Franchised Business is a fixed retail location and has not yet been constructed, or does not meet our current standards for new Bearfruit Franchised Businesses, you must cause the Bearfruit Franchised Business to be constructed, equipped and improved in compliance with our specifications set forth in the Manuals (the "Manuals"). You may not relocate your Bearfruit Franchised Business without our prior written consent. (Franchise Agreement, Sections 1.2 and 1.2.3).

If you do not already have a location when you sign your Franchise Agreement, you must lease a site for your Bearfruit Franchised Business promptly following signing the Franchise Agreement. (Franchise Agreement, Section 1.2). You must submit your proposed lease to us for approval at least 15 days before you sign it, and provide a fully signed copy within 15 days following signing. Our acceptance of your lease is based solely on our own interests and does not represent any guarantee or endorsement by us of the Franchised Location or confirmation that the lease complies with applicable law or that the terms of the lease are favorable to you. If we accept the proposed site, we will notify you of our preliminary acceptance of the site, subject to our further analysis, your successful negotiation of a final lease or purchase agreement acceptable to us, and other reasonable conditions we may impose. (Franchise Agreement, Section 1.2). Your lease must not obligate us in any manner or contain any provision inconsistent with your Franchise Agreement. In addition, your lease must provide: (i) that the initial term of the Lease, or the initial term together with extended terms, must be for not less than 5 years; (ii) consent for your use of the Bearfruit Marks and signage as we may require for the Bearfruit Franchised Business; (iii) a restriction on the use of the Franchised Location solely for the operation of the Bearfruit Franchised Business; (iv) a prohibition on any subleasing or assigning of the lease without our prior written consent; (v) that the landlord must provide us with copies of any and all notices of defaults given to you under the Lease; (vi) a provision granting us the right to enter the Bearfruit Franchised Business to make modifications necessary to protect the Bearfruit Marks and the Bearfruit System, or to cure any default under your Franchise Agreement or under the lease;

and (vii) a provision granting us or our designee the option, exercisable within 15 days after receipt of any notice of default or termination from the landlord, without the landlord's further consent, to assume all of your rights under the lease, including the right to assign or sublease the Franchised Location and the right to exercise all outstanding renewal options in accordance with the provisions of the lease. (Franchise Agreement, Section 7.12).

For a fixed retail location, you must provide us with written notice of the date you begin construction within 7 days after commencement and keep us apprised as to the status of the construction of your Bearfruit Franchised Business. You must construct, equip and improve the Bearfruit Franchised Business in compliance with our current design standards and trade dress. You must employ architects and general contractors that we designate, and all plans and modifications to the Franchised Location must be submitted to us for our review and acceptance before you start construction. Unless we notify you in writing that the plans and modifications are accepted, they will be deemed rejected. We reserve the right, but not the obligation, to grant you written authorization to open your Bearfruit Franchised Business for business, which may be subject to our satisfactory inspection of the Bearfruit Franchised Business. (Franchise Agreement, Section 5.3).

**Length of Time to Open Bearfruit Franchised Business or Begin Business.** You must obtain a site for your Bearfruit Franchised Business within 3 months after you sign your Franchise Agreement. You must complete our Initial Training Program and open your Bearfruit Franchised Business within 6 months after you sign your Franchise Agreement. Failure to do so will result in default under the Franchise Agreement and we may terminate your franchise. (Franchise Agreement, Sections 5.3 and 14.2).

A Bearfruit Franchised Business usually opens for business 60 days after the Franchise Agreement is signed or the Franchised Location is accepted. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to identify a location which we will accept; to obtain any financing you need; to obtain required permits and governmental agency approvals; to fulfill local ordinance requirements; to complete improvement of the Franchised Location; to complete our Initial Training Program and to complete the hiring and training of personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors.

**POS System.** The currently approved cash register for the POS System is Square. The POS System is an electronic cash register system that provides financial records of sales information on sales levels by time, item pricing, product movement statistics, individual unit and category sales data and various financial data to prepare store reports. Your POS System must be capable of accepting credit and debit cards and gift cards. The estimated cost of the POS System will vary depending on the type of system you purchase but is estimated to cost between \$1,500 and \$3,000. We will have electronic and manual access to your POS System at any time, and no contractual limitations exist to prevent or limit our right to access this information for your Bearfruit Franchised Business. We do not have independent access to the POS System. However, we reserve the right to use, and to have full access to, all cash register, computer and any other systems, and the information and data they contain. There may be ongoing monthly cost associated with the POS System transactions typically ranging from \$100 to \$600. (Franchise Agreement, Section 10.1 and 10.2)

We are in no way contractually obligated to provide to you any maintenance, repairs, upgrades or updates, although we or a designee may do so. You are contractually required to make periodic upgrades and updates to the POS System software and hardware that we or our designee makes available for your Bearfruit Franchised Business and there are no contractual limitations on the frequency and cost of this requirement.

We reserve the right to designate an approved supplier of the POS System software. (Franchise Agreement, Section 10.1 and 10.2)

**Internet.** We have registered the Internet domain name [www.bearfruitjewelry.com](http://www.bearfruitjewelry.com) and have established a site using this domain name. You acknowledge that the domain name is our sole property. You may not use in any manner any computer medium or electronic medium (for example, any Internet home page, e-mail address, web site, domain name, URL, bulletin board, newsgroup or other Internet related medium or activity) that contain the Bearfruit Marks, or any other words, symbols or terms confusingly similar to the Bearfruit Marks without our express prior written consent. We will include a description (mall and address) on our Internet Web site for your Bearfruit Franchised Business. (Franchise Agreement, Sections 20.1 and 20.2).

Intranet. We may, at our option, establish an Intranet through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates and other confidential information to you. If we establish an Intranet, you must establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you. We will have reasonable discretion and control over all aspects of the Intranet, including the content and functionality of the Intranet. You will only have the privilege, and not the right, to use the Intranet, subject to your compliance with our policies. (Franchise Agreement, Section 7.20).

**Marketing Fund.** The advertising fee is 1% of the Gross Revenue of your Bearfruit Franchised Business. No company- or affiliate-owned outlet is required to contribute to the Marketing Fund. The Marketing Fund is administered by us and is used to meet the costs of conducting marketing and promotional activities. The Marketing Fund may be used to pay the costs of preparing and producing video, audio and written marketing materials, employing marketing agencies, sponsorship of events, administering regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research and other marketing and promotional activities, campaigns, test marketing, marketing surveys, public relations activities, website development/operation for portal, Internet, Intranet and URL services and for 800 or similar numbers. (Franchise Agreement, Sections 4.5 and 11.1).

The Marketing Fund is intended to maximize general public recognition and acceptance of the Bearfruit Marks for the benefit of the Bearfruit System. The administrator will not be obligated, in administering the Marketing Fund, to make expenditures for you in your Territory that are equivalent or proportionate to your contribution, or to ensure that you benefit directly or pro rata from the marketing or promotion conducted under the Marketing Fund. (Franchise Agreement, Section 11.1.2).

Your contributions to the Marketing Fund will be held in an account separate from our other funds. Your contributions to the Marketing Fund will not be used to defray any expenses of ours or the administrator's, except for the reasonable costs and overhead, if any, as each may incur, such as the costs of personnel for creating and implementing advertising, promotional and marketing programs. Any unused monies in the Marketing Fund at the end of any year will be used in the next fiscal year. We will not use any money from the Marketing Fund for advertising that is principally a solicitation for the sale of franchises. (Franchise Agreement, Section 11.1.3).

In the year ended December 31, 2022, the Marketing Fund was used to pay the costs of production (70%), media placement (20%), and administrative fees (10%).

**Local Marketing Expenditure.** We do not currently require you to spend money on local advertising and promotion of your Bearfruit Franchised Business, but we reserve the right to do so in the future. The local advertising spend requirement will not exceed 1% of the Gross Revenue of your Bearfruit Franchised Business. All advertising must meet our specifications in the Bearfruit Manuals. You must submit to us before use, samples of all local advertising materials, and descriptions of all local advertising programs, not prepared or previously approved by us, for our approval. You may not use any advertising material or program or use the Bearfruit logo or Bearfruit Marks in any public manner without our prior written approval. (Franchise Agreement, Section 11.2).

**Initial Training Program.** We will provide an Initial Training Program in the Bearfruit System and methods of operation (the “Initial Training Program”) at our company-owned Bearfruit Franchised Business currently located in Irvine, California, online and/or your Bearfruit Franchised Business, for up to 2 persons selected by you who must include your Bearfruit Franchised Business manager and the principal who is the largest equity owner. Your Bearfruit Franchised Business manager and the principal who is the largest equity owner may be the same person. You must attend and complete the Initial Training Program to our satisfaction. If your Bearfruit Franchised Business is your first Bearfruit Franchised Business, we will provide training, instructors, a training manual, and other materials for a fee of \$2,000. The Initial Training Program will consist of approximately 5 to 6 days of training that must be completed prior to commencing the operation of your Bearfruit Franchised Business. You must pay all travel, living, compensation, and other expenses incurred by you and your employees to attend the Initial Training Program. If we travel to your Franchised Location to provide the Initial Training Program, you must reimburse us for our travel and living expenses. We will not provide the Initial Training Program if you or your affiliate currently owns or operates a Bearfruit Franchised Business. (Franchise Agreement, Section 6.1).

## INITIAL TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON- THE-JOB TRAINING	LOCATION
Introduction to Bearfruit	2	0	Irvine, California
Product Viewing & Material Education	1	0	Irvine, California
Management Skills	1	0	Irvine, California
Sales Training	0	20	Irvine, California
On Site Sales Training	0	20	Irvine, California
<b>TOTAL</b>	<b>4</b>	<b>40</b>	

Training will be conducted as often as necessary to ensure that Bearfruit franchisees complete training before their Bearfruit Franchised Businesses begin operating. The primary instructional material for the Initial Training Program will be the Manuals. Andrew Yoo, whose experience with us is described in Item 2 of this Disclosure Document, will supervise the Initial Training Program. You must faithfully attend all phases of the Initial Training Program and complete it to our satisfaction, as certified by us in writing. Your failure to successfully complete any aspect of the Initial Training Program, as we determine in our sole discretion, constitutes grounds for termination of your Franchise Agreement (Franchise Agreement, Section 6.1). We may allow you to retake the Initial Training Program in our sole discretion.

**Additional and Remedial Training Programs.** We may provide additional training programs (“Additional Training Programs”) to you or your principal owner, if you request additional training and/or if we determine it is necessary. If we determine it to be necessary, we may also provide you with on-site remedial training programs (“Remedial Training Programs”) subject to the availability of our personnel. You must pay us our then-current Additional Training Fee or Remedial Training Fee, which is currently \$40 per hour, for each of our representatives that provides these programs to defray our direct costs of providing these programs. In addition, you must pay all transportation costs, food, lodging and similar costs incurred in connection with attendance at the Additional Training Programs and Remedial Training Programs. (Franchise Agreement, Section 6.2).

## **ITEM 12** **TERRITORY**

**Franchise Agreement.** 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. The Franchise Agreement will designate the Franchised Location and you will conduct business only at the Franchised Location. We will grant you a territory in which we will not own, operate, sell or issue a franchise for a Bearfruit Franchised Business if you are in good standing under your Franchise Agreement (the “Territory”). We will establish your Territory when we approve the Franchised Location. We will set forth your Territory in your Franchise Agreement. Your Territory may be limited to the actual site of the Franchised Location or may range to a radius of up to 2 miles from the Franchised Location. We will consider the demographics, population, traffic patterns, potential trade area and other relevant information about an approved site when we establish your Territory. You can lose your Territory rights under a Franchise Agreement if you are in default under your Franchise Agreement. We and our affiliates retain the right:

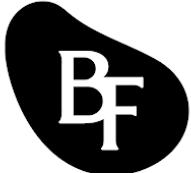
1. To own, acquire, establish and/or operate, and license others to establish and operate, a Bearfruit business, at any location outside of the Territory.
2. To own, acquire, establish and/or operate, and license others to establish and operate, businesses under the Bearfruit Marks or other proprietary marks or other systems, whether the businesses are the same, similar or different from the Bearfruit Franchised Business, at any location, whether inside or outside of the Territory, and to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business at any location, inside or outside of the Territory, provided that any Bearfruit business located in the Territory will not offer merchandise from the Bearfruit Collection.
3. To produce, license, distribute and market Bearfruit merchandise through any outlet, whether inside or outside of the Territory through any distribution channel, at wholesale or retail, including by means of the World Wide Web section of the Internet, mail order catalogs, direct mail advertising and other distribution methods.
4. To own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Bearfruit Marks and the Bearfruit System, whether inside or outside of the Territory including, without limitation, toll-free “1-800”, “1-888” and “1-877” telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, hospitals, office buildings, convention centers and military bases.

We are not required to pay you any compensation if we exercise any of these options.

You may not relocate the Bearfruit Franchised Business without our written approval. If we approve any relocation of your Bearfruit Franchised Business, you must de-identify the former location. If you fail to de-identify your former Bearfruit Franchised Business site you must reimburse and indemnify and hold us harmless from all costs and expenses, including attorney's fees, arising out of your failure to de-identify.

**ITEM 13**  
**TRADEMARKS**

As a Bearfruit franchisee, you are licensed to use and display the Bearfruit Marks during the term of your Franchise Agreement and only for the operation of your Bearfruit Franchised Business. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us or our affiliates. The Operating Company is the owner of all rights, titles and interests in the Bearfruit Marks and the Operating Company has filed the following marks on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"):

MARK	REGISTRATION NUMBER (SERIAL NUMBER)	REGISTRATION DATE (APPLICATION DATE)
<b>BEARFRUIT</b>  JEWELRY	6490149	Sep. 21, 2021
	(97370296)	(Apr. 19, 2022)

The Operating Company has filed all required affidavits.

The Operating Company has or will have granted us a perpetual license to use the Bearfruit Marks for the franchising of Bearfruit Franchised Businesses under a License Agreement dated November 10, 2020 (the "Trademark License Agreement"). The Trademark License Agreement authorizes us to sell franchises for Bearfruit Franchised Businesses. The Operating Company may terminate the Trademark License Agreement if we violate any of its terms. With the exception of this Trademark License Agreement, there are no agreements currently in effect or contemplated that would significantly limit our right to use or license the use of our marks in any manner. There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any opposition or cancellation proceeding, or any pending litigation involving the Bearfruit Marks. There are no prior superior rights or infringing uses actually known to us that could materially affect your use of the Bearfruit Marks. We have not, however, conducted an exhaustive search of users of names that may be the

same or similar to the Bearfruit Marks. There may be similar uses to the Bearfruit Marks of which we are unaware, that could arise from prior users.

You will use the trade name "Bearfruit" to identify your Bearfruit Franchised Business. You are prohibited from using our trade name or the Bearfruit Marks as part of any corporate name or using the "Bearfruit" trade name with any prefix, suffix, or other modifying words, terms, designs, or symbols except as described above. You are obligated to file a fictitious business name statement and do all other things necessary to prevent the use of the Bearfruit Marks by you from diminishing or destroying the legal protection to which they are entitled.

You must notify us of any infringement of, challenge to, or unauthorized use of the licensed name or marks that comes to your attention, including any claim, suit or demand against you. We may take actions we deem appropriate to protect our name or the Bearfruit Marks but we are not obligated by the Franchise Agreement to do so. We have the sole right to control any litigation involving our trade name or marks and to compromise or settle any claim, in our discretion, at our sole cost and expense, using lawyers of our own choosing, and you must cooperate fully in defending any claim, and you may participate at your own expense in the defense or settlement. You may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without our prior written consent. You agree in your Franchise Agreement not to contest, directly or indirectly, our ownership, right, title, or interest in its names or marks, or contest our sole right to register, use, or license others to use those names and marks.

Periodically, in the Bearfruit Manuals or in directives or supplemental bulletins, we may add to, delete, or modify any or all of the Bearfruit Marks. You must modify or discontinue the use of a Bearfruit Mark, at your expense, if we modify or discontinue it. We will not compensate you for any modification or discontinuation of the Bearfruit Marks.

#### **ITEM 14** **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We own no right in or to any patents. There are no pending patent or copyright applications that are material to your Bearfruit Franchised Business. We have no registered copyrights, but we claim copyright protection for the Manuals, all marketing material that may be distributed by us, artistic designs and other materials which we license you to use (the "Proprietary Materials"). We will loan you one copy of or provide you with electronic access to the Manuals for confidential use in your Bearfruit Franchised Business. You may not disclose, publish, sell, show, or reproduce the Manuals and must return it to us intact upon termination or expiration of your Franchise Agreement.

We regard our Proprietary Materials, and all the information contained in the Manuals, as proprietary information owned by us. You agree, as part of your Franchise Agreement, not to contest our exclusive ownership of the copyrights, trade secrets, processes, methods, procedures, formulae, techniques, and other proprietary information to which we claim exclusive rights. You are not given any rights in other trade secrets or proprietary or confidential information developed by us in the future. You must implement any reasonable procedures we may adopt to protect our trade secrets including restrictions on disclosures to your employees and requiring employees who will have access to our trade secrets to sign employment agreements containing non-disclosure and non-competition provisions.

There are no prior superior rights or infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information

described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned proprietary information in any manner. You must promptly notify us of any unauthorized use of the Proprietary Materials, any challenge to the validity of the Proprietary Materials, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Materials. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Materials, including any settlement. We have the right to take action against uses by others that may constitute infringement of the Proprietary Materials. If we determine that you have used the Proprietary Materials in accordance with your Franchise Agreement, we will defend you against any third party claim, suit, or demand arising out of your use of the Proprietary Materials. If we determine that you have not used the Proprietary Materials in accordance with your Franchise Agreement, you must pay for the cost of defense, including the cost of any judgment or settlement. In any litigation regarding your use of the Proprietary Materials you must sign all documents and do whatever is necessary to defend or prosecute the action, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Materials in a manner inconsistent with the terms of your Franchise Agreement, we will reimburse you for your out-of-pocket costs.

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

The Bearfruit Franchised Business must, at all times, be directly supervised by an Owner or employee who has successfully completed our Initial Training Program. You must devote your full time to the Bearfruit Franchised Business. You must provide comprehensive initial training programs, additional training programs and remedial training programs for your employees and ensure that your Bearfruit Franchised Business is at all times under the direct control of an Owner or employees who have been fully trained. We may require each of your Owners and employees who have access to any confidential information to sign a non-disclosure agreement in a form acceptable to us.

All present and future Owners of the equity or your voting rights, including spouses and affiliates must execute a written Guarantee in a form we prescribe, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of your obligations to us and to our affiliates. Upon each transfer or assignment of your interest in your Bearfruit Franchised Business, or other change in your ownership interests, and at any other time we request, each of these parties must re-execute a written Guarantee in a form we prescribe.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may only offer, sell and provide only Bearfruit jewelry that we or our affiliate sell to you. You may not use the Bearfruit System or the Bearfruit Marks anywhere except at your Bearfruit Franchised Business location designated in the Franchise Agreement, unless you receive our specific written approval for operating at another location(s). You may not distribute Bearfruit Franchised Business products over the Internet or other computer network. We have the unlimited right to change the programs, services and products that your Bearfruit Franchised Business is authorized to offer, and you must abide by these changes.

We reserve the right to set maximum franchisee prices, prices in price promotions, pricing methodology and form, and actual or minimum prices, each to the extent permitted by law.

**ITEM 17**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This Table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Disclosure Document.**

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT (EXHIBIT A)</b>	<b>SUMMARY</b>
a. Length of the term of the franchise	Sections 2.1	5 years
b. Renewal or extension of the term	Section 2.2	Two additional 5 year options
c. Requirements for Franchisee to renew or extend	Section 2.2	You must have complied with your obligations during the term of your Franchise Agreement; sign our then-current form of Franchise Agreement that may contain terms and conditions materially different from those in your initial Franchise Agreement; pay a renewal fee and sign a General Release Agreement in substantially the form of Exhibit D attached to this Disclosure Document. The fees payable under your renewal Franchise Agreement will be at the rates then applicable to new Bearfruit Franchised Businesses.
d. Termination by Franchisee	Not Applicable	Not Applicable
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	Sections 14.1 – 14.4	We can terminate if you materially default under your Franchise Agreement or any other agreement between you and us.
g. “Cause” defined – curable defaults	Section 14.3	You have 10 days to cure non-payment of fees and 30 days to cure non-compliance with defaults not listed in Section 16.2.

h. “Cause” defined non-curable defaults	Sections 14.1, 14.2 and 14.4	Non curable defaults include: bankruptcy, foreclosure, or insolvency; abandonment; unapproved transfers; repeated defaults, even if cured; misrepresentations in acquiring your license; trademark misuse; conviction of a felony; failure, for a period of 10 days after notification of noncompliance, to comply with any state or local law or regulation applicable to the operation of your Bearfruit Franchised Business; knowingly maintaining false books or records or submitting false reports or knowingly underreporting orders; materially misusing the Bearfruit Marks; making an unauthorized use of the trade secrets or confidential information; selling unauthorized products; and a breach of your obligations under the Franchise Agreement which by its nature is not capable of being cured by you.
i. Franchisee’s obligations on termination/nonrenewal	Section 15	You must cease use of our trademarks, de-identify your Bearfruit Franchised Business, pay all amounts due to us, and return the Manuals to us. You must pay us the total Royalty Fees paid (or if unpaid, payable) by you during the 12 months immediately preceding the effective date of termination to account for the actual damages that we will suffer as a result of the termination of your Franchise Agreement during the period that we estimate will expire while we search for a replacement Bearfruit Franchised Business franchisee. We may, at our option, assume all telephone numbers, if any, for your Bearfruit Franchised Business. You must, at our option, cancel or assign to us your rights to any Internet websites or webpages or e-mail addresses or assumed fictitious or corporate names that contain the Bearfruit Marks. See also “r” below.
j. Assignment of contract by Franchisor	Section 13.1	No restriction on our right to assign.
k. “Transfer” by Franchisee – definition	Section 13.2	Includes transfer of the agreement and/or change in ownership of the entity that owns it.
l. Franchisor approval of transfer by Franchisee	Section 13.2	Transfers require our prior written consent, which will not be unreasonably withheld.

m. Conditions for Franchisor's approval of transfer	Sections 13.3 and 13.4	The proposed transferee must qualify, successfully complete our Initial Training Program, sign our then-current Franchise Agreement (provided, that the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement) and you must be in good standing, sign a General Release Agreement in substantially the form of Exhibit D attached to this Disclosure Document and pay our transfer fee (See also "r" below).
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 13.3	We have the right to match, require terms and conditions.
o. Franchisor's option to purchase Franchisee's business	Sections 15.8	When your Franchise Agreement expires or is terminated, we have the option to purchase the assets of your Bearfruit Franchised Business that we elect to purchase.
p. Death or disability of Franchisee	Section 13.5	Your spouse, heirs or personal representative has 180 days to purchase your interest in the Franchise Agreement or complete an assignment of the interest to a qualified, approved third party, subject to the transfer provisions.
q. Non-competition covenants during the term of the franchise	Section 16.2	You may not be involved with any competing business without our prior written consent. Competing business means any retail jewelry business or any business similar to the Bearfruit Franchised Business. You may not (i) divert any present or prospective customer to any competitor, or perform any other act injurious or prejudicial to the goodwill associated with the Bearfruit Marks and the Bearfruit System, or (ii) employ or seek to employ any person who is or has been within the previous 30 days employed by us or our affiliate as a salaried managerial employee, or otherwise induce the person to leave his or her employment.
r. Non-competition covenants after the franchise is terminated or expires	Section 16.3	You are prohibited for 2 years following the termination, transfer or expiration of your Franchise Agreement, from owning or rendering services to any competing business within a 10-mile radius of any Bearfruit business. If you violate the post-term covenant not to compete, you must pay us, throughout the 2-year period following the termination, transfer, or expiration of your Franchise Agreement, 5% of the gross revenue of any business that provides similar services at any site within 10 miles of any Bearfruit business.
s. Modification of the agreement	Sections 22.1, 22.4	All modifications to the Franchise Agreement must be in writing and signed by both parties.

t. Integration/merger clause	Section 22.1	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim the representations made in the Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 23	We must first attempt to resolve all disputes by mediation in Orange County, California, except for certain matters which may be brought in court; limitation of period to bring claims.
v. Choice of forum	Section 23	All proceedings will be held in Orange County, California, subject to applicable state law. See the State Specific Addenda (Exhibit B) attached to this Disclosure Document.
w. Choice of law	Section 23.2	California, subject to applicable state law. See the State Specific Addenda (Exhibit B) attached to this Disclosure Document.

**ITEM 18**  
**PUBLIC FIGURES**

No compensation or other benefit is given or promised to a public figure for the use of a public figure in the name or symbol of the Bearfruit Franchised Business or the endorsement or recommendation of the Bearfruit Franchised Business by a public figure in advertisements. You do not have the right to use the name of any public figure in promotional efforts or marketing without prior written approval from us. No public figures are involved in the actual management or control of Bearfruit Franchise Corporation.

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Bearfruit Franchise Corporation, 3151 Airway Ave, Suite G-3, Costa Mesa, CA 92656, telephone (657) 218-9025, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1**  
**SYSTEM-WIDE UNIT SUMMARY**  
**FOR FISCAL YEARS 2020 to 2022**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
<b>Franchised</b>	2020	4	2	-2
	2021	2	7	+5
	2022	7	5	-2
<b>Company Owned</b>	2020	7	5	-2
	2021	5	2	-3
	2022	2	7	+5
<b>Total Outlets</b>	2020	11	7	-4
	2021	7	9	+2
	2022	9	9	+3

**TABLE NO. 2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**FOR 2020 to 2022**

STATE	YEAR	NUMBER OF TRANSFERS
Colorado	2020	0
Colorado	2021	0
Colorado	2022	3
<b>Total</b>		3

**TABLE NO. 3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR 2020 to 2022**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	CEASED OPERATIONS- OTHER REASONS	OUTLETS AT END OF THE YEAR
<b>California</b>	2020	3	0	1	0	1	1
	2021	1	3	1	0	1	3
	2022	3	1	0	0	0	4
<b>Texas</b>	2020	1	0	0	0	0	1
	2021	1	1	0	1	0	1
	2022	1	0	0	0	0	1
<b>Canada</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>Total Outlets</b>	2020	4	0	1	0	1	2
	2021	2	4	1	1	0	4
	2022	4	1	0	0	0	5

**TABLE NO. 4**  
**STATUS OF COMPANY OWNED OUTLETS**  
**FOR 2020 to 2022**

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
<b>California</b>	2020	2	1	0	1	0	2
	2021	2	3	0	0	3	2
	2022	2	2	0	0	0	4
<b>Colorado</b>	2020	3	0	0	0	0	3
	2021	3	0	0	0	3	0
	2022	0	0	3	0	0	3
<b>Nevada</b>	2020	2	0	0	2	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>Virginia</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>Totals</b>	2020	7	1	0	3	0	5
	2021	5	3	0	0	6	2
	2022	2	2	3	0	0	7

Our California Affiliate owns 4 Bearfruit locations in California and our Colorado Affiliate owns 3 Bearfruit locations in Colorado.

**TABLE NO. 5**  
**PROJECTED OPENINGS AS OF DECEMBER 31, 2022.**

<b>STATE</b>	<b>FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED</b>	<b>NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR</b>	<b>PROJECTED NEW COMPANY OWNED OUTLET IN THE NEXT FISCAL YEAR</b>
<b>California</b>	0	0	2
<b>Hawaii</b>	0	0	1
<b>Totals</b>	0	0	3

Our franchisees are listed on Exhibit H attached to this Disclosure Document.

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

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

**ITEM 21**  
**FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit G is our audited financial statements for the last 3 fiscal years. Our fiscal year end is December 31.

**ITEM 22**  
**CONTRACTS**

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

Attached as Exhibit C is our current form of Confidentiality Agreement for Prospective Franchisees.

Attached as Exhibit D is our current form of General Release Agreement.

**ITEM 23**  
**RECEIPTS**

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

**EXHIBIT A**

**BEARFRUIT FRANCHISE CORPORATION**

**FRANCHISE AGREEMENT**

**BEARFRUIT FRANCHISE CORPORATION  
FRANCHISE AGREEMENT  
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<b>Attachment D</b>	<b>Collateral Assignment of Lease</b>

## BEARFRUIT FRANCHISE CORPORATION

### FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (this “**Agreement**”) is made and entered into as of \_\_\_\_\_, (the “**Effective Date**”), by and between **BEARFRUIT FRANCHISE CORPORATION**, a California corporation (“**Franchisor**”), on the one hand, and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”), on the other hand, with reference to the following facts:

A. The Franchisor, as the result of the expenditure of time, skill, effort and money, has developed a unique system (the “**Bearfruit System**”) identified under the name “Bearfruit” related to the establishment, development and operation of facilities offering hand-crafted and artfully designed jewelry in accordance with its specifications, methods of operation, promotion and sales.

B. Bearfruit businesses are identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “**Bearfruit**” and such other trade names, service marks and trademarks as are now designated and may hereafter be designated by Franchisor in writing (collectively, the “**Bearfruit Marks**”) as part of the Bearfruit System. Franchisor has obtained the right to use and to license others to use the Bearfruit Marks and the Bearfruit System from its Affiliate.

C. Franchisor grants qualified persons franchises (each, a “**Bearfruit Franchised Business**”) to own and operate a Bearfruit business offering Bearfruit jewelry consisting of hand-crafted and artfully designed jewelry made from precious metals such as silver, gold and rhodium and that include natural stones (the “**Bearfruit Collection**”) and services that Franchisor authorizes and utilizes the Bearfruit System and the Bearfruit Marks at certain locations, including (1) locations operating as Bearfruit branded stores (including outlet(s) and/or kiosk(s)) venues that operate from a stationary location for a continuous term under a lease or other right to tenancy agreement, and (2) “time limited” venues such as Bearfruit branded fairs and festivals.

D. Franchisee desires to operate a Bearfruit Franchised Business using the Bearfruit Marks and the Bearfruit System in conformity with Franchisor’s standards and specifications and wishes to enter into an agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection with the development and operation of a Bearfruit Franchised Business. Franchisee represents and warrants to Franchisor, as an inducement to Franchisor’s execution of this Agreement, that all statements made by Franchisee and all materials provided to Franchisor by Franchisee in connection with the grant of this franchise to Franchisee are accurate and complete and that Franchisee has made no misrepresentations or material omissions in connection with obtaining this franchise. Franchisor grants this franchise in reliance upon each and all of Franchisee’s representations.

#### NOW, THEREFORE, THE PARTIES AGREE:

##### 1. **GRANT.**

1.1 **Grant.** Franchisor hereby grants to Franchisee the right, and Franchisee undertakes the obligation, to use the Bearfruit Marks and the Bearfruit System solely in connection with the operation of one (1) Bearfruit Franchised Business at, and only at, the “**Franchised Location**” (as defined in Section 1.2 of this Agreement).

1.2 **Location of Bearfruit Franchised Business.** Franchisee shall operate the Bearfruit Franchised Business only at the address set forth on Attachment A annexed to this Agreement (the “**Franchised Location**”). If the Franchised Location has not been acquired by Franchisee by the Effective Date, Franchisee shall promptly following the Effective Date locate one or more proposed sites which meet Franchisor’s then-current standards

and specifications. Franchisee shall submit to Franchisor such demographic and other information regarding the proposed sites and neighboring areas, as Franchisor shall require, in the form prescribed by Franchisor (“**Site Review Request**”). Franchisor may seek such additional information as it deems necessary within twenty (20) days of submission of Franchisee’s Site Review Request, and Franchisee shall respond promptly to such request for additional information. If Franchisor shall not deliver written notice to Franchisee that Franchisor accepts the proposed site within seven (7) days of receipt of Franchisee’s Site Review Request, or within ten (10) days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected. If Franchisor accepts the proposed site it shall notify Franchisee of its preliminarily acceptance of the site (“**Preliminary Acceptance**”), which Preliminary Acceptance shall be subject to further analysis by Franchisor and successful negotiation by Franchisee of a final “**Lease**” for the site (as defined in Section 7.12 of this Agreement) acceptable to Franchisor, and such other conditions as Franchisor may impose. Promptly following the Effective Date, or Franchisee’s receipt of Preliminary Acceptance, Franchisee shall proceed to negotiate a Lease and shall submit to Franchisor a copy of the proposed Lease to Franchisor. Franchisee shall submit a copy of the proposed Lease to Franchisor for approval at least fifteen (15) days before Franchisee signs the Lease, and provide a fully signed copy of the Lease within fifteen (15) days following signing. Promptly following Franchisor’s receipt of the proposed final Lease which meets Franchisor’s requirements as set forth in Section 7.12 of this Agreement, and evidence of Franchisee’s satisfaction of all conditions set forth in the Preliminary Acceptance, Franchisor shall notify Franchisee of its acceptance of the site (“**Final Acceptance**”). Franchisee shall not enter into any Lease for the Franchised Location unless and until Franchisee has received Final Acceptance relating to the proposed site. Franchisee shall obtain a site for the Franchised Location within three (3) months following the Effective Date.

1.2.1 Franchisor may voluntarily (without obligation) assist Franchisee in obtaining an acceptable location. Franchisee acknowledges it is solely Franchisee’s responsibility for finding the Franchised Location and solely Franchisee’s responsibility for finding each proposed site for the Bearfruit Franchised Business developed pursuant to this Agreement.

1.2.2 Following the acquisition of the Franchised Location, Franchisor and Franchisee shall complete and execute **Attachment A** annexed to this Agreement.

1.2.3 Franchisee may not relocate the Bearfruit Franchised Business without Franchisor’s prior written consent. If Franchisor shall consent to any relocation, Franchisee shall de-identify the former location in the manner described in this Agreement with respect to Franchisee’s obligations upon termination and expiration, and shall reimburse and indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorneys’ fees, arising out of Franchisee’s failure to do so.

1.3 **Territory.** During the initial term of this Agreement, and provided that Franchisee is not in default of this Agreement or any other agreement between Franchisor, its “**Affiliates**” (defined below), and Franchisee, Franchisor shall not own, operate, sell or issue a franchise for any other Bearfruit Franchised Business within an area designated on **Attachment A** (the “**Territory**”). Except as expressly provided for in this Section 1.3, the license granted to Franchisee under this Agreement is nonexclusive, Franchisee shall have no territorial or protective rights and Franchisor and its Affiliates shall have the right to place a company-owned or franchised Bearfruit business anywhere Franchisor desires without notice to Franchisee. In addition, Franchisor and its Affiliates retain the right, among others, in any manner and on any terms and conditions that Franchisor deems advisable, and without granting Franchisee any rights under this Agreement:

1.3.1 To own, acquire, establish and/or operate, and license others to establish and operate, a Bearfruit business, at any location outside of the Territory.

1.3.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under the Bearfruit Marks or other proprietary marks or other systems, whether such businesses are

the same, similar or different from the Bearfruit Franchised Business, at any location, whether inside or outside of the Territory, and to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business at any location, whether inside or outside of the Territory, provided that any Bearfruit business located in the Territory will not offer merchandise from the Bearfruit Collection.

1.3.3 To produce, license, distribute and market Bearfruit merchandise through any outlet, whether inside or outside of the Territory (regardless of its proximity to the Franchised Location), and through any distribution channel, at wholesale or retail, including by means of the World Wide Web section of the Internet, mail order catalogs, direct mail advertising and other distribution methods.

1.3.4 To own, acquire, establish and/or operate and grant others the right to develop, own, operate and issue franchises and licenses to others to develop, own and operate other methods and channels of distribution utilizing the Bearfruit Marks and the Bearfruit System, whether inside or outside of the Territory including, without limitation, toll-free "1-800", "1-888" and "1-877" telephone numbers, domain names, URLs, on-line computer networks and services, the Internet, concessions, satellite units, other mobile, remote, limited service or non-permanent facilities or in public areas such as amusement parks, airports, train stations, public facilities, college and school campuses, hospitals, office buildings, convention centers and military bases.

The term "**Affiliate**" when used in this Agreement in connection with Franchisor or Franchisee, shall include each person or entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with Franchisor or Franchisee, as applicable. Notwithstanding the foregoing definition, if Franchisor or its Affiliate has any ownership interest in Franchisee, the term "**Affiliate**" shall not include or refer to Franchisor or that Affiliate, and no obligation or restriction upon an "**Affiliate**" of Franchisee, shall bind Franchisor, or an Affiliate of Franchisor or their respective direct/indirect parents or subsidiaries, or their respective officers, directors or managers.

1.4 **Modification to Manuals.** Franchisee acknowledges that the Franchisor's operations and training manuals and any other written directives related to the Bearfruit System (the "**Manuals**"), and the services and merchandise offered by the Bearfruit Franchised Business may be modified, (such as, but not limited to, the addition, deletion and modification of programs, operating procedures, services and merchandise) from time to time by Franchisor. Franchisee shall comply, at its expense, with all such modifications, including, without limitation, all requirements to implement the modifications, such as replacement or renovation of equipment, remodeling, redecoration and modifications to existing improvements, including structural changes. Franchisor shall notify Franchisee of any such changes and Franchisee shall implement any such changes upon receipt of notice thereof from Franchisor, and shall complete their implementation within such time as Franchisor may reasonably specify. For purposes of this Agreement, these changes shall include, without limitation, changes in any of the categories referred to in Section 7.3 of this Agreement.

1.5 **No Sublicensing Rights.** Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for the right to operate the Bearfruit Franchised Business or to use the Bearfruit Marks, or the Bearfruit System granted pursuant to this Agreement.

## 2. **INITIAL AND EXTENDED TERM.**

2.1 **Initial Term.** The initial term of this Agreement, except as otherwise provided in this Agreement, shall commence on the Effective Date and shall expire five (5) years from the Effective Date (the "**Expiration Date**") as set forth on Attachment A. If the term of the Lease for the Franchised Location is for less than five (5) years, including any extension of the term, the initial term of this Agreement shall be for a period identical to the term of the Lease. Franchisee shall have no right or option to extend or renew the term of this Agreement except as provided in Section 2.2 of this Agreement.

2.2. **Option to Extend.** Franchisee shall have the option to extend the term of this Agreement on the terms and conditions set forth in this Agreement, for two (2) additional five (5) year periods, upon written

notice given by Franchisee to Franchisor not less than six (6) months nor more than twelve (12) months prior to the scheduled Expiration Date of the term then in effect, provided that each of the following conditions are satisfied:

2.2.1 Franchisee shall, in a manner satisfactory to Franchisor, renovate, refurbish or reconstruct the Bearfruit Franchised Business at Franchisee's expense prior to the effective date of each extension to conform the building design, trade dress, color schemes and presentation of the Bearfruit Marks and the Bearfruit System to the image then in effect for new or the most recently remodeled Bearfruit Franchised Businesses operating under the Bearfruit Marks and the Bearfruit System, including without limitation, such structural changes, remodeling and redecoration and such modifications to existing improvements, as may be necessary or required by law.

2.2.2 Franchisee shall not be in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor, or its Affiliates, or any standards set forth in the Manuals and Franchisee shall have complied with all the terms and conditions of this Agreement, the Manuals and any other agreements during the term of this Agreement.

2.2.3 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its Affiliates, and shall have timely met those obligations throughout the initial and extended term of this Agreement.

2.2.4 Franchisee must have the ability to extend the term of the Lease for the Franchised Location on terms acceptable to both Franchisor and Franchisee. Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Franchised Location for the duration of the extended term of this Agreement, which shall, in no event, exceed five (5) years or the extension term of the Lease, whichever is less.

2.2.5 Franchisee shall, at Franchisor's option, execute Franchisor's then-current form of Franchise Agreement and any addenda to the then-current form of Franchise Agreement, for the extended term, which Franchise Agreement shall supersede this Agreement in all respects, and the terms of which may differ materially and be less advantageous to Franchisee than the terms of this Agreement; provided, however, that Franchisor's option as set forth in Section 15.8 of this Agreement shall remain in effect.

2.2.6 Franchisee shall comply with Franchisor's then-current qualification and training requirements.

2.2.7 Franchisee shall pay Franchisor a fee of \$5,000 for the right to obtain an extended term.

2.2.8 Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, which Franchisee may have or believes to have against Franchisor and/or its Affiliates and their respective officers, directors, agents and employees (a "**General Release**").

2.2.9 If Franchisor is not offering new franchises, is in the process of revising, amending or renewing Franchisor's form of Franchise Agreement or Franchise Disclosure Document or is not lawfully able to offer Franchisee Franchisor's then-current form of Franchise Agreement at the time Franchisee exercises an option to extend the term of this Agreement, Franchisor may offer to renew Franchisee's existing Franchise Agreement upon the terms and conditions set forth in this Agreement for the extended term of this Agreement, or may offer to extend the term of this Agreement on a week-to-week basis following the expiration of the term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer Franchisee its then-current form of Franchise Agreement. Further, if applicable law requires Franchisor to give notice to Franchisee prior to the

expiration of the term of this Agreement, this Agreement shall remain in effect on a week-to-week basis until Franchisor has given the notice required by such applicable law.

2.3 **Continued Compliance.** Franchisee's right to extend the term of this Agreement shall be subject to Franchisee's continued compliance with the terms and conditions of this Agreement as well as Franchisee's compliance with the conditions set forth in Section 2.2 of this Agreement.

2.4 **Termination at End of Term.** If Franchisee does not elect to extend the term of this Agreement, this Agreement shall terminate at the end of the initial or first extended term of this Agreement, as the case may be.

### **3. DUTIES OF FRANCHISOR.**

3.1 **Plans.** If Franchisee is operating a retail venue under this Agreement, Franchisor shall make available to Franchisee, standard plans and specifications for each category of a prototypical Bearfruit retail venue, including, equipment, exterior and interior design and layout, fixtures, furnishings and signs.

3.2 **Supervision and Assistance.** Franchisor shall provide such initial and continuing assistance to Franchisee as Franchisor deems advisable.

3.3 **Training.** Franchisor shall offer a five(5) to six (6) day initial training program (the "**Initial Training Program**") to Franchisee and those employees of Franchisee whom Franchisor deems necessary and appropriate in its sole discretion and, during the term of this Agreement, make available such other training programs as Franchisor deems necessary and appropriate. During the Initial Training Program, Franchisor shall disclose the Bearfruit System requirements to Franchisee, which may be changed and/or supplemented from time to time during the term of this Agreement. Franchisee shall pay Franchisor a fee of \$2,000 for the Initial Training Program.

3.4 **Manuals.** In order to protect the reputation and goodwill of Franchisor, to maintain uniform standards of the merchandise, services, and operations offered and sold under the Bearfruit Marks, and to promote the goodwill of all Bearfruit Franchised Businesses, the Bearfruit Collection, the Bearfruit Marks and the Bearfruit System, Franchisor has created the Manuals. Franchisor shall loan one copy of the Manuals to Franchisee during the term of this Agreement. Franchisor may, from time to time in its sole discretion, revise the Manuals to incorporate changes to the Bearfruit System. Franchisee shall promptly implement any change to the Bearfruit System upon receipt of notice thereof from Franchisor, and shall complete their implementation within such time as Franchisor may reasonably specify.

3.5 **Inspection and Evaluation.** Franchisor shall conduct, when and as frequently as Franchisor deems advisable, inspections of the Bearfruit Franchised Business and evaluations of its management and operations, in order to assist Franchisee and to maintain the Bearfruit System and Franchisor's standards of quality, appearance and service.

3.6 **Supplies and Suppliers.** Franchisor shall provide Franchisee with a list of Franchisor's approved and designated suppliers of services and merchandise for the construction, equipping and operation of the Bearfruit Franchised Business following the Effective Date and shall further provide Franchisee with updated lists of such suppliers periodically during the term of this Agreement.

3.7 **Consultation and Advisory Services.** Franchisor may periodically consult with Franchisee from time to time concerning the operation of the Bearfruit Franchised Business. Franchisor shall at reasonable times, upon request and at no charge to Franchisee, furnish counseling and advisory services to Franchisee with respect to the planning, opening and operation of the Bearfruit Franchised Business, including consultation and advice regarding operating problems and procedures, new developments and improvements in the Bearfruit System, record keeping, purchasing, marketing, promotion and merchandising, business forms and the interpretation of policy as set forth in the Manuals, as the same may from time to time be amended, and other directives of

Franchisor. The advice to be rendered pursuant to this Section 3.7 shall be general advice designed to assist Franchisee in the operation of the Bearfruit Franchised Business. Franchisee acknowledges and agrees that Franchisor, by rendering such consultation and advisory services, does not thereby guarantee the success or profitability of the Bearfruit Franchised Business.

3.8 **Delegation of Obligations.** Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any designee, employee or agent of Franchisor, as Franchisor may direct.

3.9 **Franchisor's Rights in Fulfilling Obligations.** In fulfilling its obligations to Franchisee pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its Affiliates) shall have the right:

3.9.1 To take into account, as Franchisor sees fit, the effect on and the interests of other Bearfruit Franchised Businesses in which Franchisor has an interest and on Franchisor's (and its Affiliates') own activities.

3.9.2 To share market and product research, and other proprietary and non-proprietary business information, with other Bearfruit Franchised Businesses in which Franchisor has an interest, or with Franchisor's Affiliates.

3.10 **Responsibility of Franchisee.** Notwithstanding the provisions of this Section 3, Franchisee shall be and remain responsible for the operation of the Bearfruit Franchised Business at all times and shall hold Franchisor, its Affiliates and their respective directors, officers, employees and agents, harmless therefrom. Franchisee shall not look to Franchisor for performance of regular operational duties. In addition, any and all policies of Franchisor that may be contained in the Manuals, this Agreement or any other written document that may be provided to Franchisee during the course of the franchise term that may relate to the employment practices of Franchisee, including decisions on employee hiring, firing, wages and hours, supervision, discipline, seniority, rates, work rules, schedules, and manners and methods of performance, are offered not as a requirement but rather a form of guidance and reference for Franchisee and for the limited purpose of protecting the Franchisor's brand and franchise business. In no event should such policies be construed as Franchisor's assumption or acceptance of any joint employer liabilities as to Franchisee's employees.

#### 4. **FEES.**

4.1 **Initial Franchise Fee.** Franchisee shall pay to Franchisor an initial franchise fee of \$40,000 (the "**Initial Franchise Fee**") on the Effective Date. The Initial Franchise Fee shall be fully earned and non-refundable when paid, in consideration for the administrative and other expenses incurred by Franchisor to qualify Franchisee as a Bearfruit franchisee and for Franchisor's lost or deferred opportunities to enter into a Franchise Agreement for the Territory with another franchisee.

4.2 **Initial and Ongoing Inventory.** Upon signing the Lease Agreement for the Bearfruit Franchised Business, Franchisee shall purchase an opening inventory of the Bearfruit Collection of \$100,000 (the "**Initial Inventory Costs**") from Franchisor or its Affiliate. The Initial Inventory Costs are fully earned and non-refundable when paid. Franchisee shall also purchase ongoing inventory (the "**Ongoing Inventory**") on a monthly basis in an amount equal to thirty percent (30%) of the Gross Revenue of the Bearfruit Franchised Business for the preceding calendar month.

4.3 **Design Fee.** If Franchisee is opening a Bearfruit Franchised Business that is a kiosk or temporary location and not a permanent in-line/stand-alone outlet, Franchisee shall pay to Franchisor, upon execution of the Lease Agreement for the Bearfruit Franchised Business, a non-refundable design fee of \$10,000 (the "**Kiosk Design Fee**"). The Kiosk Design Fee is paid as consideration for the assistance provided by Franchisor for the design of the Bearfruit Franchised Business. If Franchisee is operating a permanent inline/stand-alone outlet, Franchisee will not pay a Kiosk Design Fee; instead, Franchisee will pay to Franchisor a non-refundable store

design fee of \$30,000 (the “**Store Design Fee**”). The Store Design Fee is paid as consideration for the assistance provided by the Franchisor for the design of the Bearfruit Franchised Business.

**4.4 Royalty Fees.** Franchisee shall pay to Franchisor, without deduction, abatement or offset, a continuing royalty fee in an amount equal to five percent (5%) of the Gross Revenue of the Bearfruit Franchised Business (the “**Royalty Fees**”). Royalty Fees shall be paid in the manner set forth in Section 4.6 of this Agreement. “**Gross Revenue**” shall mean all revenue derived from the operation of the Bearfruit Franchised Business and from the sale of any merchandise sold at or from the Bearfruit Franchised Business, and all other income of every kind and nature related to the Bearfruit Franchised Business including, without limitation, business interruption insurance, whether for cash or credit, and regardless of collection in the case of credit, less any sales taxes or other taxes collected by Franchisee from its customers for transmittal to the appropriate taxing authority. Notwithstanding the foregoing, “**Gross Revenue**” shall not include the amount of bona fide refunds paid to customers and the amount of any sales or use taxes actually paid to any governmental authority.

**4.5 Marketing Fund Fees.** Franchisee shall contribute to the Bearfruit marketing fund (the “**Marketing Fund**”) each month a marketing fee (the “**Marketing Fee**”) that shall not exceed one percent (1%) of the Gross Revenue of the Bearfruit Franchised Business.

**4.6 Time of Payments.** Royalty Fee and Marketing Fee payments shall be paid on a monthly basis, on the 5th day of each month, calculated on the Gross Revenue of the Bearfruit Franchised Business for the preceding calendar month. All payments made pursuant to Sections 4.4 and 4.5 shall be accompanied by such reports or statements required under Section 10.5 of this Agreement. Any report or payment not actually received by Franchisor on or before its due date shall be deemed overdue. If any payment under this Agreement is overdue, Franchisee shall pay to Franchisor, immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of fifteen percent (15%) per annum, calculated weekly, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have including, without limitation, the right of set-off to withdraw or retain, from time to time and without notice to Franchisee, any amounts due and unpaid by Franchisee from any accounts or amounts otherwise payable to Franchisee. If any check, draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Franchisor’s expenses arising from such non-payment, including bank fees in the amount of at least \$50 and any other related expenses incurred by Franchisor. Franchisee shall not be entitled to set-off any payments required to be made under this Section 4 against any monetary claim Franchisee believes it may have against Franchisor.

**4.7 Other Payments.** In addition to all other payments provided in this Agreement, Franchisee shall pay Franchisor and its Affiliates promptly when due:

4.7.1 All amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever.

4.7.2 All amounts due for any reason, including on account of purchases of the Bearfruit merchandise, supplies or services relating to the Bearfruit Franchised Business.

**4.8 EFT and Pre-Authorized Payments.** Franchisee hereby authorizes Franchisor to initiate debit entries and/or credit collection entries to Franchisee’s designated primary business operating checking or savings account for the payment of Royalty Fees and all other sums that may become due to Franchisor, or its Affiliates, from Franchisee.

4.8.1 At Franchisor’s request, Franchisee, at Franchisee’s sole cost and expense, shall instruct its bank to pay the amount of its Royalty Fees, Marketing Fees, and all other sums that may become due to Franchisor, or its Affiliates, directly to Franchisor from Franchisee’s account, by electronic funds transfer or such other automatic payment mechanism which Franchisor may designate (“**EFT**”) and upon the terms and conditions set forth in the Manuals, and promptly upon Franchisor’s request, Franchisee shall execute or re-execute and deliver to Franchisor such pre-authorized check forms and other instruments or drafts required by Franchisor’s bank, payable against Franchisee’s bank account, to enable Franchisor to draw Franchisee’s Royalty Fees,

Marketing Fees and all other sums that may become due to Franchisor or its Affiliates. Franchisee shall make funds available for withdrawal by Franchisor by electronic transfer on such dates of each month as Franchisor shall designate throughout the term of this Agreement. If Franchisor elects to utilize this method of payment of such obligations, Franchisee shall maintain a single bank account for such payments and shall maintain such minimum balance in such account as Franchisor may reasonably specify from time to time. Franchisee shall not alter or close such account except upon Franchisor's prior written approval. Any failure by Franchisee to implement such EFT payment method in strict accordance with Franchisor's instructions shall constitute a material default of this Agreement.

4.8.2 If Franchisee is delinquent more than two (2) times in any continuous twelve (12) month period during the term in the payment of Royalty Fees, Marketing Fees or other fees, or of other sums due to Franchisor or to its Affiliates, or fails to report its Gross Revenue on a timely basis, Franchisor may require Franchisee to implement a system prescribed by Franchisor which shall permit Franchisor unilaterally to estimate and draw down the amounts owed by Franchisee, which system may include automatic debits, use of Franchisee pre-authorized checks, other instruments or authority or any other arrangement Franchisor may prescribe. Franchisor may base its estimates of Royalty Fees, Marketing Fees and similar payments which are calculated based on Franchisee's historically reported Gross Revenue. Franchisee shall promptly implement such system in strict accordance with Franchisor's instructions and failure to do so shall constitute a material default of this Agreement.

4.9 **Gross-Up Fees.** To insure that Franchisor receives a full five percent (5%) of the Gross Revenues of the Bearfruit Franchised Business as a Royalty Fee to which Franchisor may be entitled, as the amount thereof may vary from time to time, Franchisee shall pay Franchisor, upon demand, whether in arrears, in advance, in a lump sum or in the same manner as Royalty Fees are paid to Franchisor, the amount of all taxes paid by Franchisor to any governmental authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the governmental authority's domain during each of Franchisor's fiscal years throughout the entire term of this Agreement.

4.10 **Application of Fees.** Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments made by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, interest or any other indebtedness, in such amounts and in such order as Franchisor shall determine.

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

## 5. RENOVATION OR CONSTRUCTION OF THE FRANCHISED LOCATION.

5.1 **Kiosk.** If Franchisee is opening a Bearfruit Franchised Business that is a kiosk or temporary location, Franchisee shall purchase or lease from an approved supplier a kiosk or cart.

5.2 **Retail Store.** If Franchisee is opening a permanent/stand-alone retail store, Franchisee shall employ a qualified, licensed architect or engineer designated by Franchisor to prepare, for Franchisor's approval, preliminary plans and specifications for the construction of the premises for the Franchised Location based upon the plans and specifications furnished by Franchisor. Franchisee shall be responsible, at Franchisee's expense, for obtaining all zoning classifications, permits and clearances, including, but not limited to, certificates of occupancy and mall clearances and fire and health department approvals, which may be required by federal, state or local laws, ordinances or regulations. Franchisee shall certify in writing to Franchisor that all such classifications, permits and clearances have been obtained. Franchisee shall also take reasonable steps to insure that the Franchised Location complies with all applicable requirements of the Americans with Disabilities Act. Franchisee must submit to Franchisor, for Franchisor's acceptance, final plans for construction based upon the preliminary plans and specifications. Franchisor shall review Franchisee's plans for approval within thirty (30) days of receipt of Franchisee's request in writing to approve the site. Once accepted by Franchisor, such final plans may not thereafter be changed or modified without Franchisor's prior written consent. Franchisee must obtain all permits required for the lawful construction and operation of the Bearfruit Franchised Business and must certify to Franchisor in writing that all such permits have been obtained. Franchisee must employ a qualified general contractor approved by Franchisor to construct the Bearfruit Franchised Business and to complete all improvements. Franchisee must obtain and maintain in force during the entire period of construction the insurance required under this Agreement.

5.3 **Requirements during Construction.** During the construction period, Franchisor and its agents shall have the right, but not the obligation, to inspect the site at all reasonable times. Franchisee shall, at its expense, complete construction and open the Bearfruit Franchised Business for business (including all exterior and interior carpentry, electrical, plumbing, heating, ventilation, air conditioning, painting and finishing work, and installation of all furniture, fixtures, equipment and signs) in accordance with the final plans and construction schedule approved by Franchisor, within not more than six (6) months following the Effective Date, subject only to "**Force Majeure**", in which case Franchisee shall give written notice to Franchisor of, and within a reasonable time after, the commencement of the event Franchisee believes constitutes Force Majeure. For purposes of this Agreement, "**Force Majeure**" means any event that is reasonably unforeseeable as of the date of this Agreement and that is beyond the reasonable control, directly or indirectly, of Franchisee, the effects of which could not reasonably be prevented or avoided by Franchisee with the exercise of commercially reasonable efforts and due diligence and which event does not result from Franchisee's fault or negligence or the fault or negligence of its agents, employees or subcontractors and which event causes Franchisee to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement and subject to the satisfaction of the foregoing criteria, shall include: acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot or other civil disturbance; epidemics; or other similar forces; provided however, that neither an act or failure to act by a governmental authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, contractor or other person shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. Franchisee's financial inability to perform or Franchisee's insolvency shall not be an event of Force Majeure hereunder.

5.4 **Approval for Opening.** Franchisee shall notify Franchisor of the anticipated construction completion date and, within a reasonable time after construction is completed, Franchisor shall have the right, but not the obligation, to conduct a final inspection of the Bearfruit Franchised Business. Franchisee shall not open the Bearfruit Franchised Business without the express written authorization of Franchisor, which authorization may be conditioned upon Franchisee's strict compliance with the specifications of the approved final plans and Franchisor's standards and completion of any pre-opening training required by Franchisor and Franchisee's compliance with staffing and other requirements set forth in the Manuals and applicable to the operations of the Bearfruit Franchised Business. Franchisee shall open the Bearfruit Franchised Business for business following

receipt of a certificate of occupancy and no more than ten (10) days after receipt of Franchisor's written authorization to open.

**5.5 Insurance during Construction.** Franchisee shall procure, prior to the commencement of any construction or the renovation of the Bearfruit Franchised Business, and shall maintain in full force and effect at all times during any construction or renovation, at Franchisee's expense, an insurance policy or policies protecting Franchisee, Franchisor, and its Affiliates, and their respective partners, shareholders, directors, agents and employees, against any demand or claim with respect to personal or bodily injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the construction or renovation of the Bearfruit Franchised Business. Such policy or policies shall be written by a responsible insurer or insurers acceptable to Franchisor, shall comply with the requirements prescribed by Franchisor in writing at the time such policies are obtained (including those provisions of Section 12 of this Agreement specified by Franchisor), and shall include, at a minimum, the coverages and amounts specified by Franchisor in the Manuals or otherwise in writing.

## **6. TRAINING.**

**6.1 Pre-Opening Initial Training Program.** Prior to the opening of the first Bearfruit Franchised Business developed by Franchisee, Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, a principal of Franchisee acceptable to Franchisor and who owns at least a fifty-one percent (51%) equity interest in Franchisee) and Franchisee's manager approved by Franchisor, shall attend and complete to Franchisor's satisfaction Franchisor's Initial Training Program (or segments thereof at Franchisor's discretion) offered by Franchisor. The Initial Training Program will consist of approximately five(5) to six(6) days of training that must be completed before the Bearfruit Franchised Business opens for business. Franchisor shall provide such training, instructors, Manuals and other materials for a fee of \$2,000 for up to two (2) persons; Franchisee shall pay a fee of \$300 per day for each additional attendee sent by Franchisee. Except as stated in the preceding sentence, Franchisee shall be responsible for any and all other expenses incurred in connection with sending its trainees to such training including, without limitation, the costs of transportation, lodging, meals and any wages. If Franchisor travels to Franchisee's Franchised Location for any portion of the Initial Training Program, Franchisee shall reimburse Franchisor for all travel and living costs incurred by Franchisor to travel to Franchisee's Franchised Location. For the second and any subsequent Bearfruit Franchised Business developed by Franchisee, Franchisor shall not provide Franchisee with an Initial Training Program. Franchisor shall, in its sole discretion, select the time and location of the Initial Training Program. During the term of this Agreement, Franchisee shall always employ, on a full-time basis in the operation of the Bearfruit Franchised Business, at least one (1) manager who has successfully completed the minimum level of training specified by Franchisor in the Manuals or otherwise in writing. If Franchisee must send additional employees for training to comply with the requirement set forth in the preceding sentence, or if Franchisee chooses to send (with Franchisor's prior consent) additional employees to such training, Franchisee shall pay a fee of \$300 per person per day for the training required for such individuals. All in-store management personnel shall be dedicated exclusively to the Bearfruit brand. Franchisor shall have the right to terminate this Agreement if, at any time during the Initial Training Program, Franchisor concludes (in its sole judgment) that Franchisee does not appear to possess the qualifications necessary to properly fulfill and discharge the demands and responsibilities required by the Bearfruit System or this Agreement.

**6.2 Additional/Remedial Training.** Franchisee and Franchisee's managers and other employees also shall attend such additional and/or remedial courses, seminars and other training programs as Franchisor may reasonably require from time to time. Franchisee shall be responsible for all expenses incurred in connection with sending its employees to such training including, without limitation, the costs of transportation, lodging, meals, training materials and any wages. Franchisee shall pay a fee of \$40 per hour for all additional and remedial training. Franchisor shall, in its sole discretion, select the time and location of all additional and/or remedial training.

## **7. DUTIES OF FRANCHISEE.**

**7.1 Importance of the Bearfruit Franchised Business Standards.** Franchisee understands and acknowledges that every detail of the Bearfruit System and the Bearfruit Franchised Business is essential to

Franchisee, Franchisor, and other Bearfruit Franchised Business franchisees in order to: (i) develop and maintain quality operating standards; (ii) increase the demand for the Bearfruit Franchised Business and other related services and merchandise sold by all franchisees operating under the Bearfruit System; and (iii) protect Franchisor's reputation and goodwill. Franchisee shall maintain Franchisor's high standards with respect to facilities, services, merchandise and operations.

**7.2 Use of Franchised Location.** Franchisee shall utilize the Franchised Location solely for the operation of the Bearfruit Franchised Business; shall keep the Bearfruit Franchised Business open and in normal operation for such minimum hours and days as Franchisor may specify in the Manuals or otherwise in writing; and shall refrain from using or permitting the use of the Franchised Location for any other purpose or activity. The Bearfruit Marks, any Internet domain names, URLs, copyrights, toll-free "1-800", "1-888" and "1-877" telephone numbers or other like toll-free telephone numbers which may be utilized by Franchisor, or its Affiliates, and their mnemonics and other identifying marks constituting a part of the Bearfruit System, now or in the future, shall be used solely in connection with the operation of the Bearfruit Franchised Business at the Franchised Location. Nothing contained in this Agreement shall be construed to authorize or permit the use by Franchisee of the Bearfruit Marks, any Internet domain names, URLs, toll-free "1-800", "1-888" or "1-877" telephone numbers, or any confusingly similar imitations of the same, at any location other than the Franchised Location, on the World Wide Web section of the Internet or for any other purpose whatsoever.

**7.3 Adherence to Bearfruit Franchised Business Standards.** To insure that the highest degree of quality and service is maintained, Franchisee shall operate the Bearfruit Franchised Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from: (i) deviating from such standards, specifications and procedures without Franchisor's prior written consent, and (ii) otherwise operating in any manner which reflects adversely on the Bearfruit Marks. Without limiting the generality of the foregoing, Franchisee agrees:

7.3.1 To sell or offer for sale only such authorized services and merchandise that meet Franchisor's uniform standards of quality, as have been expressly approved for sale in writing by Franchisor under the specific name designated by Franchisor; shall sell or offer for sale, all services and merchandise required by Franchisor in the Manuals or otherwise in writing as being part of the Bearfruit System; shall not deviate from Franchisor's methods, standards and specifications; and shall discontinue selling and offering for sale any services or merchandise which Franchisor may, in its sole discretion, disapprove in writing at any time.

7.3.2 To purchase and install, at Franchisee's expense, all fixtures, furnishings, equipment, decor, signs and other items as Franchisor may reasonably direct from time to time in the Manuals or otherwise in writing in accordance with Franchisor's standards and specifications; and shall refrain from installing or permitting to be installed on or about the Franchised Location, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved in writing as meeting Franchisor's standards and specifications.

7.3.3 That all brochures, advertisements, containers, bags, packaging and other like articles used in connection with the Bearfruit Franchised Business shall conform to Franchisor's specifications, shall be imprinted with the Bearfruit Marks, if and as specified by Franchisor, and shall be purchased by Franchisee from Franchisor or its Affiliate or a distributor approved in writing by Franchisor, as provided in Section 7.4 of this Agreement.

**7.4 Purchases of Services, Merchandise, Equipment, Supplies and Materials.** Franchisee shall purchase all services, equipment, supplies and materials used by the Bearfruit Franchised Business, solely from suppliers (including Franchisor, or its Affiliates, and manufacturers, wholesalers and distributors) who demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's reasonable standards and specifications for such items, who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, and who have been approved by Franchisor in the Manuals or otherwise in writing and not thereafter disapproved. Franchisee acknowledges and agrees that Franchisor, and its Affiliates, may negotiate purchase arrangements with suppliers for Franchisee's benefit and may derive revenue or obtain

rebates, bulk pricing discounts or allowances for their own account from approved or designated suppliers if rebates or other considerations become available because of Franchisee's purchases of services. If Franchisee desires to purchase services from other than approved suppliers, Franchisee shall submit to Franchisor a written request to approve the proposed supplier, together with such evidence of conformity with Franchisor's specifications as Franchisor may reasonably require, or shall request the supplier itself to do so. Franchisor may require Franchisee or the proposed supplier to reimburse Franchisor for all of Franchisor's reasonably anticipated costs in reviewing the application of the proposed and all current and future reasonable costs and expenses, including travel and living costs, related to inspecting, re-inspecting and auditing the proposed supplier's equipment, and all product testing costs paid by Franchisor to third parties and to pay Franchisor, in advance, a deposit of up to \$500, before Franchisor inspects the proposed supplier's facilities. Franchisor may from time to time re-inspect and re-evaluate the facilities and merchandise of any approved supplier and revoke its general approval of particular services, equipment or suppliers when Franchisor determines, in its sole discretion, that such services, equipment or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee shall cease to sell any disapproved services or equipment and cease to purchase from any disapproved supplier.

**7.5 Purchases from Franchisor or its Affiliates.** Franchisor and its Affiliates are the only authorized suppliers of merchandise sold by the Bearfruit Franchised Business.

7.5.1 Franchisee acknowledges and agrees that each order of the Bearfruit Collection is subject to a \$500 minimum. Neither Franchisor nor the Operating Company will accept orders that are less than \$500 at any time. Franchisee shall use the wholesale order form provided by Franchisor to submit and complete each order. Franchisee will be required to pay any shipping charges for items delivered by mail. Franchisee acknowledges that it may take up to twenty (20) days from the purchase order date for Franchisee to receive pre-ordered merchandise. Franchisor or its Affiliate will develop new pieces for the Bearfruit Collection periodically during the year. Franchisee is allowed to exchange any defective merchandise for new items of the same kind. Any merchandise that has been sold or worn by customers is not eligible for return or exchange with Franchisor or its Affiliate. Franchisee shall make a reasonable effort to fix any damaged piece before returning the same to Franchisor or its Affiliate.

7.5.2 Franchisor may change the prices, delivery terms and other terms relating to its sale of the Bearfruit Collection to Franchisee on prior written notice, provided, that such prices shall be the same as the prices charged to similarly situated Bearfruit Franchised Business franchisees and which shall be reasonable based upon the costs associated with such Bearfruit jewelry. Franchisor, in its discretion, may discontinue the sale of any Bearfruit jewelry at any time if in Franchisor's judgment its continued sale becomes unfeasible, unprofitable or otherwise undesirable. All merchandise orders by Franchisee shall be subject to acceptance by Franchisor at Franchisor's designated offices, and Franchisor reserves the right to accept or reject, in whole or in part, any order placed by Franchisee.

7.5.3 Each order placed by Franchisee, whether oral or written, for any Bearfruit jewelry shall be deemed to incorporate all of the terms and conditions of this Agreement, shall be deemed subordinate to this Agreement in any instance where any term or condition of such order conflicts with any term or condition of this Agreement, and shall include such information as Franchisor may from time to time specify, and shall be submitted on such form of purchase order as may be prescribed by Franchisor from time to time. No purchase order submitted by Franchisee shall contain any terms except as approved in writing by Franchisor, nor be deemed complete unless all of the information required by the prescribed purchase order form, as revised from time to time, is provided by Franchisee. No new or additional term or condition contained in any order placed by Franchisee shall be deemed valid, effective or accepted by Franchisor unless such term or condition shall have been expressly accepted by Franchisor in writing.

7.5.4 Neither Franchisor nor its Affiliate shall not be liable to Franchisee on account of any delay or failure in the manufacture, delivery or shipment of Bearfruit jewelry caused by Force Majeure or other events or circumstances beyond Franchisor's reasonable control including such events as labor or material

shortages, conditions of supply and demand, import/export restrictions or disruptions in Franchisor's supply sources.

7.5.5 On the expiration or termination of this Agreement, or in the event of any default by Franchisee of this Agreement, Franchisor shall not be obligated to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee, and Franchisor may notify its approved suppliers of any impending termination or expiration of this Agreement and may, among other things, instruct such suppliers to deliver only such quantity of supplies or merchandise as is reasonably necessary to supply Franchisee's needs prior to the Expiration Date or termination date of this Agreement.

7.6 **Cooperation with Inspection.** Franchisee shall permit Franchisor, or its agents, at any reasonable time, to remove from the Bearfruit Franchised Business, representative samples of any merchandise, supplies and paper goods used in the operation of the Bearfruit Franchised Business, without payment therefor, for the purposes of determining whether the samples meet Franchisor's then-current standards and specifications.

7.7 **Maintenance of Franchised Location.** Franchisee shall maintain the Franchised Location (including adjacent public areas) in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such additions, alterations, repairs and replacements under this Agreement (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting, repairing and replacing of obsolete or deteriorated signs, furnishings, fixtures, equipment and decor as Franchisor may reasonably direct by written notice to Franchisee. Franchisee shall complete all work specified in any such notice within the time frame Franchisor may reasonably specify.

7.8 **Re-Imaging of Franchised Location.** Franchisee shall, at its expense, make such alterations, additions or modifications to the Franchised Location as Franchisor may reasonably require to accommodate changes made by Franchisor to the Bearfruit System. Franchisee shall have one hundred-eighty (180) days from receipt of notice from Franchisor regarding re-imaging requirements in which to make the required alterations, additions or modifications to the Franchised Location.

7.9 **Refurbishment of Franchised Location.** At Franchisor's request, but not more often than once every thirty (30) months (and in addition to any work which Franchisee may undertake pursuant to other sections of this Agreement), Franchisee shall refurbish the Franchised Location, at its expense, to conform to the building design, trade dress, color schemes and presentation of the Bearfruit Marks in a manner consistent with the then-current public image for new or remodeled Bearfruit Franchised Businesses, including, without limitation, replacement or renovation of equipment, remodeling, redecoration and modifications to existing improvements and reasonable structural changes that Franchisor may reasonably require or that may be required by law.

#### **7.10 Franchisee Employee Policy: Uniforms and Employee Appearance.**

7.10.1 After the Bearfruit Franchised Business has opened to the public, Franchisee shall maintain a competent, conscientious and trained staff, and shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous and knowledgeable service; and meet such minimum standards as Franchisor may establish from time to time in the Manuals or otherwise in writing. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be employees of Franchisor or subject to Franchisor's direct or indirect control. In the event Franchisee, or its Affiliates, own and operate multiple Bearfruit Franchised Businesses, Franchisor may require, in its sole discretion, Franchisee to employ a general operations manager responsible for the oversight of operations at all Bearfruit Franchised Businesses owned and operated by Franchisee, or its Affiliates. Franchisee shall be solely responsible for all employment decisions and functions of the Bearfruit Franchised Business, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision and discipline of employees, and shall not request from Franchisor or expect to receive from Franchisor, and Franchisor shall not provide Franchisee, with any advice on these subjects. Franchisee shall indemnify, defend, reimburse and hold Franchisor harmless from any direct and indirect

losses, costs and expenses, including attorney's fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions of the Bearfruit Franchised Business, including, without limitation, those relating to hiring, firing, training, wages and hour requirements, record keeping, supervision, and discipline of employees.

7.10.2 Franchisee shall cause all employees, while working in the Bearfruit Franchised Business, to: (i) wear uniforms of such color, design and other specifications as Franchisor may designate from time to time, and (ii) present a neat and clean appearance. If Franchisor removes the type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have ninety (90) days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform.

7.11 **Modification to the Bearfruit System.** Franchisee shall not implement any modification to the Bearfruit System without the express prior written consent of Franchisor. Franchisee shall notify Franchisor in writing of any proposed modification, and shall provide to Franchisor such information as Franchisor requests regarding such modification. Franchisor shall have the right to incorporate the modification into the Bearfruit System without compensation to Franchisee.

7.12 Franchisee shall comply with all terms of its Lease (a "**Lease**") with a third party landlord (a "**Landlord**") for the Franchised Location, and all other agreements affecting the operation of the Bearfruit Franchised Business; and shall refrain from any activity which may jeopardize Franchisee's right to remain in possession of or to renew the Lease for the Franchised Location. Franchisee shall not create any obligations on Franchisor's behalf or grant the Landlord any rights against Franchisor, or agree to any term, condition or covenant in the Lease which is inconsistent with any provision of this Agreement. Franchisee shall deliver a fully executed copy of the Lease to Franchisor promptly following its execution, in the form and on the terms previously accepted by Franchisor, without further request by Franchisor. The Lease shall provide, unless Franchisor otherwise consents in writing prior to the execution of the Lease that (i) the Lease may not be amended, assigned or sublet without Franchisor's prior written consent, (ii) Franchisor shall have the right (but not the obligation) to succeed to Franchisee's rights under the Lease if Franchisee fails to exercise any option to renew, and or extend the term of the Lease, (iii) upon Franchisee's default under the Lease, the Landlord shall notify Franchisor in writing at least fifteen (15) days prior to the termination or non-renewal of the Lease, (iv) Franchisor shall have an option to assume the Lease upon the termination or expiration of the Lease for any reason by giving written notice of the election to Franchisee and the Landlord, (v) Franchisee shall have the unrestricted right, without the Landlord's consent, to assign or sublet the Franchised Location to Franchisor, or any franchisee or licensee approved by Franchisor, and (vi) Franchisor shall have the right to enter the Franchised Location to remove all of the Bearfruit Marks from the Franchised Location and modify the decor of the Franchised Location so that it no longer resembles, in whole or in part, an Bearfruit Franchised Business if Franchisee fails to do so. If Franchisor elects to succeed to Franchisee's rights under the Lease, Franchisee shall assign to Franchisor all of its right, title and interest in and to the Lease and take all further action that Franchisor, in its sole and absolute discretion, may deem necessary or advisable to effect the assignment within ten (10) days after written demand by Franchisor to do so. Franchisee shall take whatever actions are necessary to accomplish the assignment and shall, when Franchisee signs this Agreement, also sign, and cause the landlord of the Franchised Location to sign, the Collateral Assignment of Lease set forth on **Attachment E.**

7.13 **Prices for the Bearfruit Merchandise.** Subject to applicable law, Franchisor shall have the right to establish pricing guidelines for the Bearfruit jewelry offered for sale at the Bearfruit Franchised Business and Franchisee shall comply with and be bound by any prices which may be recommended, suggested or advertised by Franchisor.

7.14 **Participation in Programs.** Franchisee shall at all times cooperate with Franchisor and other franchisees of Franchisor and shall actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs which may be developed and implemented by Franchisor which call for the cooperation of Franchisee and other franchisees of Franchisor and

shall further cooperate in any additional programs which may be established and designated by Franchisor from time to time including participating in market research programs, the test-marketing of new merchandise and other similar programs, and shall purchase a reasonable quantity of new merchandise for test-marketing, promote the sale of the tested merchandise and provide Franchisor with timely reports and test results of such programs for its review, analysis and compilation.

**7.15 Notification of Investigation or Violation.** Franchisee shall notify Franchisor by telephone within twenty-four (24) hours, and confirm in writing within two (2) days thereafter, of any investigation or violation, actual or alleged, concerning any laws or regulations, and notify Franchisor in writing within five (5) days of the commencement of any investigation, action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Bearfruit Franchised Business.

**7.16 Signs.** Franchisee shall maintain approved signs and/or awnings at, on or near the front of the Bearfruit Franchised Business, identifying the Franchised Location as a Bearfruit business, which shall conform in all respects to Franchisor's specifications and requirements and the layout and design plan approved for the Franchised Location as set forth in the Manuals or as otherwise specified by Franchisor, subject only to restrictions imposed by applicable law. On receipt of notice by Franchisor of a requirement to alter any existing sign on the Bearfruit Franchised Business, Franchisee will, at Franchisee's cost, make the required changes within sixty (60) days, subject to the approval of the landlord if required by Franchisee's Lease.

**7.17 Compliance with Governmental Regulations.** Franchisee shall meet and maintain the highest standards and ratings applicable to the operation of the Bearfruit Franchised Business, and shall timely obtain any and all permits, certificates or licenses necessary for the lawful operation of the Bearfruit Franchised Business including, without limitation, licenses to do business, fictitious name registration, sales tax permits, certificate of occupancy and fire clearances.

**7.18 Vending or Other Machines.** Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Franchised Location, except as otherwise provided in the Manuals.

**7.19 Co-Branding.** Franchisee may not engage in any co-branding in or in connection with the Bearfruit Franchised Business except with Franchisor's prior written consent. Franchisor shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if Franchisor has recognized that co-branding chain as an approved co-brand for operation within Bearfruit Franchised Businesses. "**Co-branding**" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated within the Bearfruit Franchised Business or is adjacent to the Franchised Location and operated in a manner which is likely to cause the public to perceive it to be related to the Bearfruit Franchised Business licensed and franchised under this Agreement.

**7.20 Intranet.** Franchisor may, at its option, establish and maintain an Intranet through which franchisees of Franchisor may communicate with each other, and through which Franchisor and Franchisee may communicate with each other and through which Franchisor may disseminate the Manuals, updates thereto and other confidential information. Franchisor shall have sole and absolute discretion and control over all aspects of the Intranet, including the content and functionality thereof. Franchisor will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Franchisee.

**7.20.1** If Franchisor establishes an Intranet, Franchisee shall only have the privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Such standards and specifications, protocols and restrictions may relate to, among other things: (i) the use of abusive, slanderous or otherwise offensive language in electronic communications; (ii) communications between or among franchisees that endorse or encourage default of any franchisee's franchise agreement, or other agreement with Franchisor, or its Affiliates; (iii) confidential treatment

of materials that Franchisor transmits via the Intranet; (iv) password protocols and other security precautions; (v) grounds and procedures for Franchisor's suspending or revoking a franchisee's access to the Intranet; and (vi) a privacy policy governing Franchisor's access to and use of electronic communications that franchisees post to the Intranet. Franchisee acknowledges that, as administrator of the Intranet, Franchisor can technically access and view any communication that any person posts on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

7.20.2 Upon receipt of notice from Franchisor that Franchisor has established the Intranet, Franchisee shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows Franchisor to send messages to and receive messages from Franchisee, subject to the standards and specifications.

7.20.3 If Franchisee shall default under this Agreement or any other agreement with Franchisor or its Affiliates, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee, and in which case Franchisor shall only be required to provide Franchisee a paper copy of the Manuals and any updates thereto, if none have been previously provided to Franchisee, unless not otherwise entitled to the Manuals.

7.21 **Improvements**. If Franchisee develops any new concept, process or improvement in the Bearfruit System (an "**Improvement**"), Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such Improvement shall become the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee hereby assigns to Franchisor any rights Franchisee may have or acquire in the Improvements, including the right to modify the Improvement, and Franchisee waives and/or releases all rights of restraint and moral rights therein and thereto. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agrees to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee hereby irrevocably designates and appoints Franchisor as Franchisee's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property right related to any such Improvement. If the foregoing provisions of this Section 7.21 are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

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

7.23 **Adequate Reserves and Working Capital**. Franchisee shall, at all times, maintain adequate reserves and working capital sufficient for Franchisee to fulfill all of Franchisee's obligations under this Agreement and to cover the risks and contingencies of the Bearfruit Franchised Business for at least six (6) months.

## 8. **MARKS.**

8.1 **Franchisor Representations Concerning the Bearfruit Marks**. Franchisor represents with respect to the Bearfruit Marks that:

8.1.1 All steps reasonably necessary to preserve and protect the validity of the Bearfruit Marks, and Franchisor's right to use and license others to use, the Bearfruit Marks will be taken.

8.1.2 Franchisor will use and permit Franchisee and other Bearfruit Franchised Business franchisees to use the Bearfruit Marks only in accordance with the standards and specifications attendant to this Agreement which underlie the goodwill associated with and symbolized by the Bearfruit Marks.

8.2 **Franchisee Representations Concerning the Bearfruit Marks.** Franchisee agrees that:

8.2.1 Franchisee shall use only the Bearfruit Marks designated by Franchisor, shall use them only in the manner authorized and permitted by Franchisor and only with the letters “®”, “TM,”, “SM” or “©”, as appropriate, as instructed by Franchisor, whenever and wherever the Bearfruit Marks shall be used.

8.2.2 Franchisee shall use the Bearfruit Marks only for the operation of the Bearfruit Franchised Business, and only at the Franchised Location or in connection with Franchisor approved advertising for the Bearfruit Franchised Business.

8.2.3 Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Bearfruit Franchised Business only under the name “**Bearfruit**” without any other prefix or suffix.

8.2.4 Franchisee shall identify itself as an independent franchisee-owner of the Bearfruit Franchised Business in conjunction with any use of the Bearfruit Marks or the operation of the Bearfruit Franchised Business, including, but not limited to, such use on invoices, receipts, business stationery and contracts, as well as at such conspicuous locations on the Franchised Location as Franchisor may designate in writing. The form and content of such identification shall comply with standards set forth in the Manuals.

8.2.5 Franchisee's right to use the Bearfruit Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement.

8.2.6 Franchisee shall not use the Bearfruit Marks to incur any obligation or indebtedness on behalf of Franchisor.

8.2.7 Franchisee shall execute any documents deemed necessary by Franchisor, or its Affiliates, to obtain protection for the Bearfruit Marks or to maintain their continued validity and enforceability.

8.2.8 Franchisee shall not use the Bearfruit Marks as part of its corporate or other legal name.

8.2.9 Franchisee shall promptly notify Franchisor of any suspected unauthorized use of or any challenge to the validity of the Bearfruit Marks, or any challenge to Franchisor's or Franchisor's Affiliate's ownership of, Franchisor's license to use and to license others to use, or Franchisee's right to use, the Bearfruit Marks licensed under this Agreement. Franchisee acknowledges that Franchisor, or its Affiliate, has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Bearfruit Marks, including any settlement thereof. Franchisor, or its Affiliate, has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Bearfruit Marks. Franchisor shall defend Franchisee against any third party claim, suit or demand arising out of Franchisee's use of the Bearfruit Marks. If Franchisor, in its reasonable discretion, determines that Franchisee has used the Bearfruit Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Bearfruit Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisee. In the event of any litigation relating to Franchisee's use of the Bearfruit Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any

legal action. Except to the extent that such litigation is the result of Franchisee's use of the Bearfruit Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket litigation costs in doing such acts.

**8.3 Franchisee Acknowledgments Concerning the Bearfruit Marks.** Franchisee expressly understands and acknowledges that:

8.3.1 Franchisor is the owner of all right, title and interest in and to the Bearfruit Marks and the goodwill associated with and symbolized by them and Franchisor has the right to use and license others to use the Bearfruit Marks.

8.3.2 The Bearfruit Marks are valid and serve to identify the Bearfruit Franchised Businesses and those who are franchised under the Bearfruit System.

8.3.3 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of, Franchisor's ownership of the Bearfruit Marks, nor take any other action which may tend to jeopardize Franchisor's interest in this Agreement, or Franchisor's right to use, and to license others to use, the Bearfruit Marks.

8.3.4 Franchisee's use of the Bearfruit Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Bearfruit Marks other than the license granted by this Agreement.

8.3.5 Any and all goodwill arising from Franchisee's use of the Bearfruit Marks shall inure solely and exclusively to the benefit of Franchisor, and upon expiration or termination of this Agreement and the license in this Agreement granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use.

8.3.6 Except as otherwise provided in Section 1.3 of this Agreement, the right and license of the Bearfruit Marks granted under this Agreement to Franchisee is nonexclusive, and Franchisor and its Affiliates have and retain the rights described in Sections 1.3.1 through 1.3.4 of this Agreement, and, among others: (i) to use the Bearfruit Marks themselves in connection with the operation of Bearfruit Franchised Businesses; (ii) to grant other licenses for the Bearfruit Marks, in addition to those licenses already granted to existing franchisees; and (iii) to develop and establish other Bearfruit Franchised Businesses using the Bearfruit Marks, similar proprietary marks or any other proprietary marks, and to grant licenses or franchises without providing any rights in this Agreement to Franchisee.

8.3.7 Franchisor reserves the right to change, revise or substitute different proprietary marks for use in identifying the Bearfruit System, the Bearfruit Franchised Business and merchandise sold or offered for sale through the Bearfruit Franchised Business, if the Bearfruit Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different proprietary marks will be beneficial to the Bearfruit System. In such circumstances, the use of the substituted proprietary marks shall be governed by the terms of this Agreement, and Franchisor shall not compensate Franchisee for such substitution. If Franchisor's currently licensed Marks can no longer be used, Franchisee shall promptly implement any such substitution.

8.3.8 Franchisor shall have the right, at all reasonable times, at the Bearfruit Franchised Business and elsewhere, to inspect the services and merchandise for which the Bearfruit Marks shall be used as Franchisor considers necessary to carry out the purposes of inspection as part of appropriate quality control. Upon request, Franchisee shall submit to Franchisor all packages, labels, advertising, displays, advertising brochures and other materials used in connection with the goods and/or services bearing the Bearfruit Marks and Franchisee specifically undertakes to amend to the satisfaction of Franchisor any such package, labels, advertising displays, advertising brochures and other materials which are not approved by Franchisor.

8.4 **Changes in Law Affecting the Bearfruit Marks.** In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, Franchisee shall execute any documents, and do such acts and things as in the opinion of Franchisor may be necessary to affect the intent and purpose of the provisions of this Agreement; provided, however, that Franchisor shall bear all costs associated with such request.

## 9. **CONFIDENTIAL INFORMATION.**

9.1 **Use of Manuals.** Franchisee shall operate the Bearfruit Franchised Business in accordance with the standards, methods, policies and procedures of the Bearfruit System and as specified in the Manuals. Franchisee shall treat the Manuals created for or approved for use in the operation of the Bearfruit Franchised Business, and the information contained in this Agreement, as confidential, and shall maintain such information as secret and confidential. Franchisor may deliver the Manuals to Franchisee in written and/or electronic format and Franchisee shall not at any time copy, duplicate, record or otherwise reproduce the Manuals, in whole or in part, or otherwise make the same available to any unauthorized person. The Manuals shall at all times remain the sole property of Franchisor and shall be kept in a secure place at the Franchised Location and/or encrypted by password for use only with authorized access to approved employees. Franchisee shall ensure that its copy of the Manuals is kept current at all times, and in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor shall be controlling.

9.2 **Confidential Information.** Franchisee represents and warrants that Franchisee's knowledge of the elements of the Bearfruit System and any other proprietary data that may be disclosed to Franchisee by Franchisor, or any affiliate of Franchisor, including, without limitation, any and all confidential and/or proprietary knowledge, data or information of Franchisor and any and all confidential and/or proprietary knowledge, data or information which Franchisee has obtained or obtains from Franchisor and which Franchisor treats as proprietary or designates (whether or not in writing or electronic form) is "**Confidential Information**", whether or not Franchisor correctly or incorrectly designates the same as Confidential Information.

9.2.1 Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of, anyone else, any Confidential Information, knowledge or know-how concerning the methods of operation of the Bearfruit Franchised Business which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation under the terms of this Agreement, Franchisee may only divulge Confidential Information to Franchisee's employees who must have access to it in order to perform their employment responsibilities.

9.2.2 By way of illustration, but not limitation, Confidential Information includes all tangible and intangible information (whether or not in electronic form) relating to the Bearfruit Marks, the Bearfruit System, the Manuals and Franchisor and its Affiliates' business operations, products, merchandise and services, routines, methods, techniques, manuals, equipment, materials, related written content, disclaimers, handout items, teaching aids, sources of materials and equipment, information management, computer hardware and software, data, other content, formulations, patterns, compilations, programs, devices and processes, know-how, business relationships, customer lists, customer contact information and contact information for industry professionals, designs, improvements, potential new or supplemental merchandise and services, websites, advertisements or ancillary products, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators and customers, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationship between Franchisor and other companies, persons or entities and any other information or material considered proprietary by Franchisor, whether or not correctly or incorrectly designated as Confidential Information by Franchisor but that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor and which is subject of efforts by Franchisor that are reasonable under the

circumstances to maintain its secrecy or any other information in oral, written, graphic or electronic form which, given the circumstances surrounding such disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above-described items may be combined with other information or services or synthesized or used by Franchisee.

9.2.3 Confidential Information does not include any information that: (i) was in the lawful and unrestricted possession of Franchisee prior to its disclosure by Franchisor; (ii) is or becomes generally available to the public by acts other than those of Franchisee after receiving it; (iii) has been received lawfully and in good faith by Franchisee from a third party who did not derive it from Franchisor; or (iv) is shown by acceptable evidence to have been independently developed by Franchisee.

9.3 **Irreparable Injury from Disclosure of Confidential Information.** Franchisee acknowledges that failure to comply with the requirements of this Section 9 will result in irreparable injury to Franchisor and the Bearfruit System for which no adequate remedy at law may be available, and Franchisee consents to the issuance of and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 9.

## 10. **ACCOUNTING AND RECORDS.**

10.1 **Computer System.** Franchisee shall purchase, use and maintain a computer-based point-of-sale record keeping system as specified in the Manuals or otherwise by Franchisor in writing for use in connection with the Bearfruit Franchised Business. Franchisor may require Franchisee to maintain an e-mail account and connect the computer system to a dedicated telephone line (or other communications medium specified by Franchisor) at all times and be capable of accessing the Internet via a designated third party network. Franchisee shall purchase any upgrades, enhancements or replacements to the computer system as Franchisor may from time to time require. Upon request, Franchisee shall permit Franchisor to access the computer system and the files stored therein via any means specified, including electronic polling communications. Franchisor reserves the right to use and to have full access to all cash register, computer and any other systems, including, but not limited to point-of-sale system ("POS System"), and the information and data they contain.

10.2 **Maintenance of Computer Systems.** Franchisee shall, at its expense, keep its computer system in good maintenance and repair, and, at its expense, and following Franchisor's determination that same will prove economically or otherwise beneficial to all Bearfruit Franchised Business franchisees, promptly install such additions, changes, modifications, substitutions and/or replacements to the computer system telephone and power lines, and other computer-related facilities, as Franchisor directs. Updates or replacement of the computer system, both hardware and software, may be required, but Franchisee will not be required to replace the computer system any more frequently than once every thirty (30) months.

10.3 **Maintenance of Records.** Franchisee shall prepare, during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing.

10.4 **Submission of Financial Statements and Tax Returns.** Upon written request from Franchisor to do so, Franchisee shall, at its expense, provide Franchisor with an electronic copy of Franchisee's financial statements showing the results of operations of the Bearfruit Franchised Business for each fiscal year during the term of this Agreement. The statements shall include a statement of income and balance sheet, and shall be furnished within ninety (90) days after the end of each fiscal year of Franchisee.

10.5 **Submission of Performance Reports.** Franchisee shall, at its expense, provide Franchisor with a monthly statement on the 5<sup>th</sup> day of each month of each year of the term of this Agreement, on electronic forms prescribed by Franchisor, accurately reporting all revenue and expense activity during the preceding calendar

month and such other data and information regarding operation of the Bearfruit Franchised Business as Franchisor may require. The statement shall be due and remitted to Franchisor in connection with Franchisee's payment of Royalty Fee, Marketing Fee and other payments in accordance with Sections 4.4, 4.5 and 4.6 of this Agreement. Each statement by Franchisee shall be true and correct. Franchisee also shall provide to Franchisor, for review or auditing, such other forms, sales reports, cash register receipts, records, information and data as Franchisor may reasonably designate, on the forms and in the manner as are reasonably designated by Franchisor.

**10.6 Audit of Franchisee Records.** Franchisor, or its designated agents, shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, accounts and business tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books and records of Franchisee. If an inspection or audit reveals that any payments due to Franchisor have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum calculated monthly, or the maximum rate permitted by law, whichever is less. If an inspection or audit discloses an understatement in any report of three percent (3%) or more, Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have because of such under reporting.

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

## **11. ADVERTISING.**

**11.1 Marketing Fund.** Franchisee shall pay to Franchisor one percent (1%) of Gross Revenue to the Marketing Fund as a Marketing Fee.

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

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

**11.1.3** Franchisor shall maintain the Marketing Fund in an account separate from Franchisor's other monies, and will not use it to defray any of Franchisor's expenses, except for reasonable administrative and marketing wages and costs and overhead which Franchisor may incur in activities related to administering the

Marketing Fund and marketing programs for Franchisor's franchisees. The Marketing Fund will not be used to solicit or to sell Bearfruit franchises to prospective franchisees. The Marketing Fund is not and will not be an asset of Franchisor. Any Marketing Fund Fees collected in a year, but not spent in that year, will be carried over to the next year. Franchisor maintains the right to terminate the collection and disbursement of Marketing Fund Fees upon ninety (90) days prior written notice to Franchisee. Upon termination, Franchisor shall disburse the remaining Marketing Fund Fees on hand only for the purposes authorized by this Article 11.

11.2 **Local Advertising.** Franchisor, in its sole discretion, may institute and implement the expenditure of a specified local advertising fee upon ninety (90) days prior written notice to Franchisee. Once instituted and implemented, Franchisee shall spend on local advertising the amount specified by Franchisor, which amount shall be calculated as a percentage of the Gross Revenue of the Bearfruit Franchised Business; provided, however, that such amount shall not exceed one percent (1%) of the Gross Revenue of the Bearfruit Franchised Business for the preceding calendar month. Franchisee shall administer Franchisee's local store marketing funds. Once instituted and implemented, Franchisee shall provide Franchisor within thirty (30) days after the end of each calendar year, with copies of all invoices, statements, canceled checks or other forms of payment which Franchisee has issued during the preceding calendar year which evidence Franchisee's expenditure and payment for pre-approved local advertising programs. Franchisor shall review the evidence of these expenditures and, if Franchisee not spent the amount required for local advertising purposes, the difference between the amount required to be spent by Franchisee for local advertising purposes during the preceding calendar year and the amount actually spent by Franchisee for local advertising purposes during the preceding calendar year must be paid to the Marketing Fund within thirty (30) days.

11.3 **Preparation and Approval of Franchisee Advertising Materials.** All local advertising and promotion by Franchisee shall be in such media and of such type and format as Franchisor may approve, shall be prepared by Franchisor, shall be conducted in a dignified manner, and shall conform to such standards and requirements as set forth in the Manuals or otherwise in writing. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to this Section 11.3. Approval, if granted, shall remain in effect until notice from Franchisor to discontinue further use. Franchisee shall submit samples of all advertising and promotional plans and concepts to Franchisor (through the mail, return receipt requested) at least fifteen (15) days prior to Franchisee's planned launch of any local advertising program. Franchisor also shall have the right at any time after Franchisee commences use of such material to prohibit further use, effective upon receipt of written notice by Franchisee.

## 12. **INSURANCE.**

12.1 **Franchisee's Insurance Obligations.** Franchisee shall obtain, prior to opening of the Bearfruit Franchised Business, and shall maintain in full force and effect during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor against any demand or claim with respect to any loss, liability or expense whatsoever arising or occurring upon or in connection with the operation of the Bearfruit Franchised Business in such types and amounts as specified in the Manuals. Such policy or policies shall: (i) be written by insurer(s) licensed and admitted to write coverage in the state in which the Bearfruit Franchised Business is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide; (ii) name Franchisor and its partners, shareholders, directors, agents and employees as additional insureds; and (iii) comply with the requirements prescribed by Franchisor in writing at the time such policies are obtained, and provide at least the types and minimum amounts of coverage specified below or as revised by the Manuals. Such policies shall include, at the minimum, the following policies:

12.1.1 "All risk" property insurance, including business interruption insurance, customarily obtained by similar businesses in the Bearfruit Franchised Business's principal trade area.

12.1.2 Comprehensive general liability insurance, including merchandise and contractual, in an annual aggregate amount of not less than \$1,000,000 combined single limit (CSL).

12.1.3 Workers' compensation insurance for statutory limits and employer's liability insurance in an amount not less than \$1,000,000 per occurrence.

12.2 **Waiver of Subrogation.** In connection with any and all insurance required to be maintained by Franchisee under Section 12.1, Franchisee and Franchisee's insurers shall agree to waive their rights of subrogation against Franchisor, and Franchisee shall provide evidence of such waiver in accordance with Section 12.5.

12.3 **Franchisee's Insurance Obligation Not Affected By Franchisor's Insurance.** Franchisee's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 19.4 of this Agreement.

12.4 **Additional Required Endorsement.** All public liability and property damage policies shall contain a provision that Franchisor, and its Affiliates, although named as an additional insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor, its Affiliates, partners, shareholders, officers, directors, agents or employees by reason of the negligence of Franchisee.

12.5 **Certificates of Insurance.** At least ten (10) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor, and its Affiliates, Certificates of Insurance evidencing the proper types and minimum amounts of required coverage ("Certificates"). All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor, and its Affiliates, in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such Certificates. Certificates evidencing the insurance required by this Section 12 shall name Franchisor, and its Affiliates, and each of their Affiliates, partners, shareholders, directors, agents and employees as additional insureds on the additional-insured Grantor of Franchise Form CG-2029 or an insurer's comparable form, and shall expressly provide that any interest of each shall not be affected by any breach by Franchisee of any policy provisions for which such Certificates evidence coverage.

12.6 **Right to Secure Insurance on Behalf of Franchisee.** Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in the Manuals or otherwise in writing, Franchisor and/or its Affiliates shall have the right and authority (but not the obligation) to immediately procure such insurance and to charge the same to Franchisee, which charges, together with the expenses of Franchisor and/or its Affiliates in so acting, shall be payable by Franchisee immediately upon notice. If Franchisor and/or its Affiliates procure insurance on behalf of Franchisee, Franchisee shall additionally pay Franchisor interest on the amount due to Franchisor at the maximum rate permitted by applicable law. The foregoing remedies shall be in addition to any other remedies Franchisor and its Affiliates may have.

### 13. **TRANSFER OF INTEREST.**

13.1 **Transfer by Franchisor.** Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity without the consent or approval of Franchisee. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform the obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisor and the Operating Company may sell their assets, the Bearfruit Marks, or the Bearfruit System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring all without the consent or approval of Franchisee. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Bearfruit Marks (or any

variation thereof), or the Bearfruit System and/or the loss of association with, or identification of, Bearfruit Franchise Corporation, as Franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as the Bearfruit Franchised Businesses operating under the Bearfruit Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities which Franchisee acknowledges may be proximate to the Bearfruit Franchised Businesses.

**13.2 Assignment by Franchisee.** Franchisee acknowledges and agrees that the rights granted to Franchisee under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is an Entity, that of the individuals listed on Attachment B and each future direct or indirect shareholder, member, general or limited partner, trustor, trustee, beneficiary or other equity owner of Franchisee (the “**Owners**”). Accordingly, Franchisee shall not offer, sell, or negotiate the sale of its rights under this Agreement to any third party, either in Franchisee’s own name or in the name and/or on behalf of Franchisor, except as otherwise provided in this Agreement. Franchisee acknowledges and agrees that Franchisee has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement, or (ii) the right to use the Bearfruit System or the Bearfruit Marks (an “**Assignment**”) without Franchisor’s prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor’s judgment, Franchisee satisfies the conditions to the Assignment identified in this Agreement.

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

13.2.2 For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to transfer identified in this Agreement: (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Franchisee pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the equity or voting power of Franchisee, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Franchisee, (iv) the issuance of any securities by Franchisee which itself or in combination with any other transactions results in the Owners, as constituted on the Effective Date, owning less than fifty percent (50%) of the outstanding equity or voting power of Franchisee, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected. Franchisee shall promptly provide Franchisor with written notice (stating the information that Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect equity or voting rights in Franchisee, notwithstanding that the same may not constitute an “**Assignment**” as defined under this Article 13.

13.2.3 Neither Franchisor’s right of first refusal nor the other conditions of Assignment shall apply to a transfer by Franchisee of all of Franchisee’s rights under this Agreement to a newly-formed corporation,

limited liability company or other business entity provided all of the equity or voting interests of the new business entity are owned by the same Owners (a “**Qualified Assignment**”).

Any attempted or purported Assignment which fails to comply with the requirements of this Article 13 shall be null and void and shall constitute a default under this Agreement.

13.3. **Right of First Refusal.** Except with respect to a “**Qualified Assignment**”, if Franchisee or an Owner receives a bona fide written offer (“**Third Party Offer**”) from a third party (the “**Proposed Buyer**”) to purchase or otherwise acquire any interest in Franchisee which will result in an Assignment within the meaning of this Agreement, Franchisee or the Proposed Buyer, shall, within fourteen (14) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor’s consent to the proposed Assignment.

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

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

13.3.3 If Franchisor or its nominee elects to purchase or acquire the rights, assets, equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Franchisor.

13.3.4 If Franchisor does not elect to purchase or acquire the rights, assets, equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take place no later than ninety (90) days following the date that the Third Party Offer was received by Franchisee. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 13.3.

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

13.4.1 The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor’s then-current qualifications for new Bearfruit franchisees, including qualifications pertaining to financial condition, credit rating, and experience.

13.4.2 Franchisee must be in good standing on the date consent is requested and until the date of closing of the Assignment.

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

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

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

13.4.6 Franchisee and the Proposed Buyer shall execute a General Release.

13.4.7 On or prior to the closing date of the sale, Franchisee shall pay Franchisor \$13,000.00 to apply against Franchisor's administrative and other costs to process the Assignment.

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

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

13.4.10 Except when the transferee is an existing Franchisee or franchisee of Franchisor, the Proposed Buyer, or a senior operations employee who will have general management and supervisory responsibilities for the Bearfruit Franchised Business who is acceptable to Franchisor, must complete, to Franchisor's sole satisfaction, Franchisor's initial training program prior to the effective date of the Assignment.

13.4.11 The Proposed Buyer must conform the Bearfruit Franchised Business with Franchisor's then-current appearance and design standards and equipment specifications applicable to new Bearfruit Franchised Businesses.

13.5 **Death or Incapacity.** In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Owner, or the remaining Owners (the "**Successor**") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Owner, or (ii) complete an Assignment of the interest of the deceased or

incapacitated Owner to a qualified, approved third party, subject to the provisions of this Article 13. If a Successor has not purchased the interest of the deceased or incapacitated Owner or completed an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

**13.6 Transfer by Franchisee in Bankruptcy.** If, for any reason, this Agreement is not terminated pursuant to Section 14.1 and this Agreement is to be assumed by, and assigned to, any person or entity who has made a bona fide offer to accept an assignment of this Agreement pursuant to the United States Bankruptcy Code, notice of the proposed assignment or assumption, setting forth (i) the name and address of the Proposed Buyer, and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the Proposed Buyer's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the assignment and assumption. Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed assignment and assumption, to accept an assignment of this Agreement to itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the Proposed Buyer.

#### **14. DEFAULT AND TERMINATION.**

**14.1 Termination In the Event of Bankruptcy or Insolvency.** Franchisee shall be deemed to be in default under this Agreement, and all rights granted to Franchisee in this Agreement shall automatically terminate without notice to Franchisee, if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersede as bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the Franchised Location or assets is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Bearfruit Franchised Business is sold after levy thereupon by any sheriff, marshal or constable.

**14.2 Termination with Notice and Without Opportunity to Cure.** Franchisee shall be in default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee upon the occurrence of any of the following events:

14.2.1 If Franchisor concludes (in its sole and absolute discretion) prior to the opening of the Bearfruit Franchised Business that (i) Franchisee does not appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the Bearfruit System or this Agreement, or is unsuitable to be a Bearfruit franchisee for any other reason whatsoever.

14.2.2 If Franchisee fails to construct and open the Bearfruit Franchised Business for business within six (6) months from the Effective Date, subject only to Force Majeure or if Franchisee at any time ceases to operate or otherwise abandons the Bearfruit Franchised Business for a period of three (3) or more consecutive days, or any shorter period of time that indicates an intent by Franchisee to discontinue operation of the Bearfruit Franchised Business as determined by Franchisor in its reasonable discretion, without the consent of Franchisor, or loses the right to possession of the Franchised Location, or otherwise forfeits the right to do or transact business in the jurisdiction where the Bearfruit Franchised Business is located. If, however, through no fault of Franchisee, the Franchised Location is lost, damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have thirty (30) days after such event in which

to apply for Franchisor's approval to relocate and/or reconstruct the Bearfruit Franchised Business for the remaining term of this Agreement, which approval shall not be unreasonably withheld.

14.2.3 If Franchisee (or an officer or director of or a shareholder in Franchisee, if Franchisee is a corporation or a general or limited partner of Franchisee, if Franchisee is a partnership, or a member, if Franchisee is a limited liability company) is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the Bearfruit Marks and the Bearfruit System, the goodwill associated therewith, or Franchisor's interest in this Agreement.

14.2.4 If any purported assignment or transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Bearfruit Franchised Business is made to any third party without Franchisor's prior written consent, contrary to the terms of Section 13 of this Agreement.

14.2.5 If an approved transfer as required by Section 13.5 of this Agreement, is not effected within the time provided following a death or permanent incapacity (mental or physical).

14.2.6 If Franchisee fails to comply with the covenants in Article 16 of this Agreement or fails to deliver to Franchisor the executed covenants required under Section 16.10 of this Agreement.

14.2.7 If, contrary to the terms of Section 9 of this Agreement, Franchisee, any Principal or employee of Franchisee, discloses or divulges the contents of the Manuals or other Confidential Information provided to Franchisee by Franchisor.

14.2.8 If Franchisee or any Principal of Franchisee has made any material misrepresentations in connection with Franchisee's application to Franchisor for the franchise granted in this Agreement.

14.2.9 If Franchisee, after curing a default pursuant to Section 14.3 of this Agreement, commits the same, similar or different default again, whether or not cured after notice.

14.2.10 If Franchisee loses, through renovation, forfeiture, failure to renew, or otherwise, any license required with respect to the operation of the Bearfruit Franchised Business.

14.2.11 If Franchisee or any employee fails to successfully complete the initial training required by Section 6.1.

14.2.12 If Franchisee understates any payment to Franchisor by three percent (3%) or more, or understates any such payment in any amount, twice in any two (2) year period.

14.2.13 If an imminent threat or danger to public health or safety results from the operation of the Bearfruit Franchised Business.

14.2.14 If Franchisee knowingly maintains false books or records or submits any false reports or statements to Franchisor.

14.2.15 If Franchisee fails to obtain or maintain required insurance coverage.

14.2.16 If, within ten (10) days after receipt of written notice from Franchisor that any required payment is overdue, Franchisee does not make such payment to Franchisor, Franchisor's Affiliates, or, to Franchisee's suppliers or creditors, unless, with respect to Franchisee's suppliers or creditors, Franchisee notifies Franchisor of the existence on a bona fide dispute and takes immediate action to resolve it.

14.2.17 If Franchisee fails to make timely payments upon any obligation of Franchisee upon which Franchisor has advanced any funds for or on behalf of Franchisee, or upon which Franchisor is acting as a

guarantor of Franchisee, or default upon or breach of any provision of any promissory note or other evidence of indebtedness or any agreement relating to this Agreement concerning any obligation of Franchisee which arises from the Bearfruit Franchised Business.

14.2.18 If Franchisee (or any guarantor, officer or director of or a shareholder in Franchisee, if Franchisee is a corporation, or a general or limited partner of Franchisee, if Franchisee is a partnership, or a member, if Franchisee is a limited liability company) or any other franchisee of Franchisor which controls, is controlled by, or is under common control with Franchisee (a “**Franchisee Affiliate**”), fails to comply with any or all of the terms of this Agreement or any other agreement between Franchisor, or its Affiliates, and Franchisee within ten (10) days after receipt of written notice from Franchisor to do so.

14.2.19 If Franchisee defaults in the repayment or performance of any obligation or financing transaction with third parties under which this franchise, the Franchised Location or any asset of the Bearfruit Franchised Business is pledged as security for Franchisee’s performance.

14.2.20 If, contrary to the terms of Section 7.4 of this Agreement, Franchisee purchases any merchandise, equipment, supplies or materials to be used at the Bearfruit Franchised Business from any suppliers who are not expressly designated or approved by Franchisor, and fails to remove the same from the Bearfruit Franchised Business and cease all use of the same within ten (10) days after receipt of written notice from Franchisor to do so.

14.2.21 If Franchisee fails, for a period of ten (10) days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the franchise.

14.2.22 If Franchisee defaults in any obligation under this Agreement or any other agreement between Franchisor and Franchisee that is not by its nature capable of being cured by Franchisee.

**14.3 Termination with Notice and Opportunity to Cure.** Except as otherwise provided in Sections 14.1 and 14.2 of this Agreement, Franchisee shall have thirty (30) days after its receipt from Franchisor of a written Notice of Default within which to remedy any default under this Agreement or any Addendum executed along with this Agreement, and to provide evidence thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, Franchisor shall have the right to terminate this Agreement by providing written Notice of Termination to Franchisee. Franchisee shall be in default pursuant to this Section 14.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Manuals, or failure to carry out the terms of this Agreement in good faith.

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

**14.5 Notice Required By Law.** Notwithstanding anything to the contrary contained in this Article 14, in the event any valid, applicable law of a competent governmental authority having jurisdiction over this Agreement and the parties hereto shall limit Franchisor’s rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, mediation, hearing or dispute relating to this Agreement or the termination thereof.

**14.6 Interim Management.** After Franchisor has given Franchisee written notice that Franchisee is in default, Franchisor may (but is not obligated to) assume interim management of the Bearfruit Franchised Business

during the pendency of any cure period or in lieu of immediately terminating this Agreement. If Franchisor elects to assume interim management of the Bearfruit Franchised Business (i) Franchisor's election will not relieve Franchisee of Franchisee's obligations under this Agreement; (ii) Franchisor shall not be liable for any debts, losses, costs or expenses incurred in the operation of the Bearfruit Franchised Business during any such interim management period; (iii) Franchisor shall have the right to charge a reasonable fee for the management services; and (iv) Franchisee agrees to, and hereby does, indemnify and hold Franchisor harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with the interim management of the Bearfruit Franchised Business, other than those arising solely from the gross negligence or willful misconduct of Franchisor. Franchisor may delegate its responsibilities under this Section 14.6 to any designee, employee or agent of Franchisor, as Franchisor may direct.

## 15. **OBLIGATIONS UPON TERMINATION.**

15.1 **General.** Upon termination or expiration of this Agreement, all rights granted under this Agreement to Franchisee shall forthwith terminate, and Franchisee shall immediately cease to operate the Bearfruit Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

15.2 **Cessation of Use of Confidential Information and the Bearfruit Marks.** Franchisee shall immediately and permanently cease to use, by advertising or in any other manner whatsoever, the Bearfruit System, confidential methods, procedures and techniques associated with the same, and all of the Bearfruit Marks and distinctive forms, slogans, signs, symbols and merchandise associated with Bearfruit Franchised Business. Franchisee acknowledges and agrees that Franchisee's use of the Bearfruit Marks after the expiration or termination of this Agreement shall constitute an unauthorized use of the Bearfruit Marks and shall, in addition to all other remedies to which Franchisor may pursue, entitle Franchisor to recover damages for trademark infringement and counterfeiting.

15.3 **Cancellation of Assumed Name Registration.** Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the Bearfruit Marks; and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

15.4 **Assignment of Lease.** If Franchisee leases the Franchised Location under a Lease with a landlord, Franchisee shall, at Franchisor's request, immediately assign to Franchisor any interest which Franchisee has in any Lease for the Franchised Location. In the event Franchisor does not request assignment of the Lease, Franchisee, within thirty (30) days after termination or expiration of this Agreement, shall make such modifications or alterations to the Franchised Location (including, without limitation, the changing of the color scheme and other distinctive design features, and the changing of and assigning to Franchisor of, the telephone number) as may be necessary to distinguish the appearance of the Franchised Location from that of other Bearfruit Franchised Businesses, and shall make such specific additional changes to this Agreement as Franchisor may reasonably request for that purpose. If Franchisee fails or refuses to comply with the requirements of this Section 15.4 following Franchisor's demand that Franchisee do so, Franchisor shall have the right to immediately enter into negotiations with the landlord of the Franchised Location regarding assignment and assumption of the Lease and to enter the Franchised Location and conduct business at the Bearfruit Franchised Business, without being guilty of trespass or any other tort. In addition, Franchisor may make or cause to be made such changes to the Bearfruit Franchised Business as may be required to enable Franchisor, or its Affiliates, or another franchisee of Franchisor, to continue the operation of the Bearfruit Franchised Business, all at the expense of Franchisee, which expense Franchisee shall pay to Franchisor upon demand.

15.5 **Modification of Franchised Location to Avoid Public Confusion.** Franchisee agrees, in the event Franchisee continues to operate or subsequently begins to operate any other business at the Franchised Location, not to use any reproduction, counterfeit copy, or colorable imitation of the Bearfruit Marks, either in

connection with such other business or the promotion thereof, which, in Franchisor's sole discretion, is likely to cause confusion, mistake, or deception, or which, in Franchisor's sole discretion, is likely to dilute Franchisor's rights in and to the Bearfruit Marks and the Bearfruit System. Franchisee further agrees not to utilize any designation of origin or description or representation which, in Franchisor's sole discretion, falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

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

**15.7 Return of Manuals and Other Confidential Information.** Franchisee shall immediately deliver to Franchisor the Manuals and all other manuals, records, correspondence, files and any instructions containing Confidential Information relating to the operation of the Bearfruit Franchised Business which are in Franchisee's possession; and all copies thereof (all of which are acknowledged to be the property of Franchisor).

**15.8 Purchase of Business Assets.** Upon the expiration of this Agreement or the termination of this Agreement for any default of Franchisee, Franchisor shall have the option, but no obligation, to be exercised by written notice to Franchisee within thirty (30) days after the Expiration Date or Termination Date, to purchase the assets of the Bearfruit Franchised Business that Franchisor elects to purchase (collectively, the "**Business Assets**"). The purchase price for the Business Assets (the "**Purchase Price**") shall be the "**Fair Market Value**" of the Business Assets as determined under this Section 15.8. "**Fair Market Value**" means the price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the date the option is first exercisable (the "**Exercise Date**"). Franchisor and Franchisee shall use their best efforts to mutually agree upon the Fair Market Value. If they are unable to so agree within thirty (30) days after the Exercise Date, Franchisor and Franchisee shall appoint, within forty (40) days of the Exercise Date, one (1) appraiser who shall determine the Purchase Price in writing and submit its report to Franchisor and Franchisee. Franchisor and Franchisee shall each pay one half (1/2) of the costs relating to the determination of the Purchase Price. The Purchase Price as so determined shall be payable as Franchisor and Franchisee mutually agree. If they are unable to so agree within ten (10) days after final determination of the Purchase Price, fifty percent (50%) of the Purchase Price shall be payable in cash and the remaining fifty percent (50%) of the Purchase Price shall be paid in forty-eight (48) equal monthly payments and shall bear interest at a rate of the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), OR ten percent (10%) per annum, but in no event in excess of the maximum rate permitted by applicable law. Payment of the portion of the Purchase Price not paid in cash shall be secured by a security

interest in the Business Assets. Notwithstanding the foregoing, Franchisee acknowledges that neither Franchisor nor its Affiliate has any obligation upon the termination or expiration of this Agreement to buy back any inventory of the Bearfruit Collection or any other materials, merchandise or supplies sold to Franchisee for the operation of the Bearfruit Franchised Business.

**15.9 Franchisee Payment of Franchisor's Cost in Securing Franchisee Compliance with Post Termination Obligations.** Franchisee shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor prior or subsequent to the termination or expiration of the franchise in this Agreement granted in obtaining injunctive or other relief for the enforcement of any provisions of this Article 15.

**15.10 Compliance with Post Term Covenants.** All covenants, obligations and agreements of Franchisee which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of this Agreement, shall survive such termination or expiration.

## **16. COVENANTS.**

**16.1 No Prior Experience, Information or Knowledge.** Franchisee specifically acknowledges and agrees that prior to becoming a franchisee of Franchisor, Franchisee had no experience, information or knowledge whatsoever about a jewelry retail store and/or the sale of related products or services (a "**Competitive Business**") or a Bearfruit Franchised Business and that Franchisee's knowledge of the Confidential Information was obtained solely from Franchisor, following Franchisee's training by Franchisor and Franchisee's subsequent operation of the Bearfruit Franchised Business under this Agreement. In addition, Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor, and the Bearfruit System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy.

**16.2 Non-Competition during Term of Agreement.** Franchisee (or, if Franchisee is a corporation, limited liability company or partnership, all Principals of Franchisee) covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is a corporation, limited liability company or partnership, all Principals of Franchisee) shall not, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, or legal entity:

16.2.1 Divert or attempt to divert any present or prospective customer of the Bearfruit Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Bearfruit Marks or the Bearfruit System.

16.2.2 Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any Competitive Business.

**16.3 Non-Competition after Transfer, Expiration or Termination of Agreement.** Except as Franchisor otherwise approves in writing, commencing upon the date of: (a) a transfer permitted under Section 13 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 16.3, and continuing for an uninterrupted period of two (2) years thereafter, Franchisee shall not, without Franchisor's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any Competitive Business located at or within a ten (10) mile radius of any Bearfruit business.

16.4 **Violation of Non-Compete.** If Franchisee shall commit any violation of Section 16.3, with or without Franchisor's permission, during the two (2) year period following (a) a transfer permitted under Section 13 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 16.3, in addition to all other remedies available to Franchisor, Franchisee shall pay Franchisor, throughout the two (2) year period, 5% of the sale of all products and services and all other income of every kind and nature ("Post Termination Gross Revenue") of the Competitive Business in violation of Section 16.3. Franchisee shall account for and pay the 5% of such Post Termination Gross Revenue to Franchisor on the tenth day of each month on the Post Termination Gross Revenue of the Competitive Business during the previous month. Franchisor shall have the right to audit the books and records of the competing business to confirm Franchisee's compliance with this Section 16.4, upon prior notice to Franchisee.

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

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

16.7 **Reasonable Good Faith Estimate.** Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages and expenses Franchisor will incur (1) if Franchisee shall commit any violation of Section 16.3 during the two (2) year period following (a) a transfer permitted under Section 13 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of Section 16.3 or (2) if Franchisor expressly grants Franchisee permission in writing to compete with Franchisor pursuant to an arrangement made under Section 16.6 or otherwise due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months left to complete the then-current term of this Agreement, the uncertainty regarding the Gross Revenue of the Bearfruit Franchised Business during the remainder of the then-current term of this Agreement, the amount of royalty fees Franchisee would have paid Franchisor based upon the Gross Revenue of the Bearfruit Franchised Business and the like as well as the amount of the fees that Franchisor will collect from Franchisee upon the occurrence of the circumstances described in Section 16.4. Franchisor and Franchisee further acknowledge and agree that five percent (5%) of the Post Termination Gross Revenue fee is a reasonable, good faith estimate of such damages.

16.8 **Non-Solicitation.** Franchisee agrees that at no time during the term of this Agreement, nor for a period of two (2) years after the expiration or termination of this Agreement, shall Franchisee, directly or indirectly:

16.8.1 Solicit or induce any individual, corporation or another entity which is a client or customer of Franchisor in an attempt to (i) enter into any business relationship with a client or customer of Franchisor if the business relationship is competitive with any aspect of Franchisor's business; or (ii) reduce or eliminate the business such client or customer conducts with Franchisor.

16.8.2 Solicit or induce any regular employee of Franchisor (i) to provide services to any individual, corporation or entity whose business is competitive with Franchisor; or (ii) to leave the employ of Franchisor.

16.8.3 Solicit or induce any person who has been an employee of Franchisor within the two (2)

year period prior to the date of the expiration or termination of this Agreement about whom Franchisee obtained Knowledge by reason of this Agreement to (i) cease working for Franchisor or clients or customers of Franchisor; (ii) refrain from beginning work for Franchisor or at clients or customers of Franchisor; or (iii) provide services to any individual, corporation or entity whose business is competitive with Franchisor.

16.8.4 As used herein, “**solicit or induce**” shall mean that in any communication with any individual, corporation or entity, Franchisee shall not affirmatively request or expressly suggest that such individual, corporation or entity do any of the forgoing things. As used herein, “**regular employee**” means any employee, whether temporary or permanent, full time or part time, that performs services for Franchisor.

16.8.5 The prohibitions contained in this Section 16.8 shall extend to (i) activities undertaken by Franchisee directly on Franchisee’s own behalf, and (ii) activities undertaken by Franchisee indirectly through any individual, corporation or entity which undertakes such prohibited activities with Franchisee’s assistance and in or with respect to which Franchisee is an owner, officer, director, trustee, shareholder, creditor, employee, agent, partner or consultant, or participates in some other capacity.

16.9 **Enforceability of Covenants Not Affected by Franchisee Claims.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 16. Franchisee agrees to pay all costs and expenses (including reasonable attorneys’ fees) incurred by Franchisor in connection with the enforcement of this Article 16.

16.10 **Covenants from Individuals.** Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Article 16 (including covenants applicable upon the termination of a person’s relationship with Franchisee) from any or all of the following persons: (i) all employees of Franchisee who have attended any training program described in Section 6.1 of this Agreement; (ii) all officers, directors, members and holders of a beneficial interest of five percent (5%) or more of the securities of Franchisee, and of any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation or limited liability company; and (iii) the general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if Franchisee is a partnership. Every covenant required by this Section 16.10 shall be in a form approved by Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

16.11 **Breach of Covenants Causes Irreparable Injury.** Franchisee acknowledges that Franchisee’s violation of any covenant of this Article 16 or any action described in Section 14.2 or 14.3 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys’ fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

## 17. **ENTITY FRANCHISEE.**

If Franchisee is a corporation, partnership or limited liability company:

17.1 **Representations of Franchisee.** Franchisee represents and warrants that the information set forth in Attachment B, which is annexed to this Agreement and by this reference made a part hereof, is accurate and complete in all material respects. Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth in Attachment B, and shall submit to Franchisor a revised Attachment B, certified by Franchisee as true, correct and complete and upon acceptance thereof by Franchisor shall be annexed to this Agreement as Attachment B. Franchisee promptly shall provide such additional information as Franchisor may

from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

17.2 **Requirements.** Franchisee shall: (i) furnish Franchisor with a copy of its articles of incorporation, partnership agreement or articles of organization, shareholders' agreement or operating agreement, as well as such other documents as Franchisor may reasonably request; (ii) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Bearfruit Franchised Business; (iii) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to Franchisor, appears which references the transfer restrictions imposed by this Agreement; (iv) not issue any non-voting securities convertible into voting securities; and (v) maintain a current list of all owners of record and all beneficial owners of any equity interests of Franchisee and furnish the list to Franchisor upon request. In addition, each present and future shareholder, partner or member of Franchisee shall jointly and severally guarantee Franchisee's performance of each and every provision of this Agreement by executing a Guarantee in the form of **Attachment C** to this Agreement.

18. **TAXES.**

Franchisee shall promptly pay to Franchisor an amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on Royalty Fees or Marketing Fees and any similar taxes or levies, imposed upon or required to be collected or paid by Franchisor by reason of the furnishing of merchandise, intangible property (including trademarks and trade names) or services by Franchisor to Franchisee through the sale, license, or Lease of property or property rights provided by this Agreement. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law.

19. **INDEPENDENT CONTRACTOR AND INDEMNIFICATION.**

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

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

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

19.4 **Indemnification.** Franchisee shall indemnify and hold harmless to the fullest extent by law, Franchisor, its Affiliates and their respective directors, officers, employees, shareholders and agents, (collectively the "Indemnitees") from any and all "losses and expenses" (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, or claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Bearfruit Franchised Business, regardless of whether the same resulted from any breach or default by Franchisee under this Agreement, including,

but not limited to, claims arising as a result of the maintenance and operation of the Franchised Location (collectively, an “**event**”), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Indemnities (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement shall extend to any finding of comparative negligence or contributory negligence attributable to Franchisee). For the purpose of this Section 19.4, the term “**losses and expenses**” shall be deemed to include compensatory, exemplary or punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to Franchisor’s reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Franchisee shall give Franchisor prompt notice of any event of which it is aware, for which indemnification is required, and, at the expense and risk of Franchisee, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that Franchisor will seek the advice and counsel of Franchisee. Any assumption of Franchisor shall not modify Franchisee’s indemnification obligation. Franchisor may, in its sole and absolute discretion, take such actions as it seems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in Franchisor’s sole and absolute discretion, necessary for the protection of the indemnities or the Bearfruit Marks.

## 20. **INTERNET AND WEB SITES.**

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

20.2 **Franchisor’s Website.** Franchisor shall establish and maintain from time to time, one or more Internet web sites that shall be used to provide information about the Bearfruit Franchised Business to the public. Franchisor has sole discretion and control over the establishment, design and content of the website that identifies the Bearfruit Franchised Business. Franchisor shall have the right, at its sole option, from time to time, to (i) change, revise, or eliminate the design, content and functionality of the website, (ii) make operational changes to the website, (iii) change or modify the URL and/or domain name of the website, (iv) substitute, modify, or rearrange the website, at Franchisor’s sole option, including in any manner that Franchisor considers necessary or desirable to comply with applicable laws, or respond to changes in market conditions or technology and respond to any other circumstances, (v) limit or restrict end-user access (in whole or in part) to the website, and (vi) disable or terminate the website without any liability to Franchisee.

20.3 **Electronic Commerce.** Franchisee will not use the Bearfruit Marks or the Bearfruit System to advertise, promote or sell any services or merchandise through the Internet, nor will Franchisee offer or sell any product or service that is identified with the Bearfruit Marks or the Bearfruit System. Franchisee’s breach of this restriction will constitute willful trademark infringement and a material breach of this Agreement. Franchisor may, at its discretion, use the Web site described in Section 20.2 of this Agreement or may establish another facility on the Internet for the purpose of engaging in electronic commerce with respect to services and merchandise that are identified with the Bearfruit Marks or the Bearfruit System.

20.4 **Assignment upon Termination or Expiration.** Franchisee shall, at the option and request of Franchisor, assign to Franchisor all rights to all e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the Bearfruit Franchised Business following demand by Franchisor upon Franchisee's misuse of the same and/or the termination or expiration of this Agreement. Furthermore, Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact with full power and authority for the sole purpose of assigning these rights to Franchisor. This appointment shall be deemed to be coupled with an interest and shall continue in full force and effect until the termination or expiration of this Agreement.

## 21. **APPROVALS, WAIVERS AND NOTICES.**

21.1 **Obtaining Approvals.** Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

21.2 **No Waiver.** No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee, or by any other franchisee, of any of the terms, provisions or covenants thereof, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option or power as against Franchisee, or as to a subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payments due to it under this Agreement shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms, covenants or conditions of this Agreement.

21.3 **Notices.** All notices or demands shall be in writing and shall be served in person, by Express Mail, by certified mail; by private overnight delivery; or by electronic transmission. Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) twenty-four (24) hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if served by Express Mail; (iii) upon the earlier of actual receipt or three (3) calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; (iv) twenty-four (24) hours after delivery by the party giving the notice, statement or demand if by private overnight delivery; and (v) one (1) business day after electronic transmission (with confirmation copy sent by regular United States mail. Notices and demands shall be given to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

**Notices to Franchisor:** Bearfruit Franchise Corporation  
3151 Airway Ave,  
Suite G-3, Costa Mesa,  
CA 92656  
Fax: \_\_\_\_\_  
Attention: Chief Executive  
Officer

**Notices to Franchisee:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Fax: \_\_\_\_\_  
Attention: \_\_\_\_\_

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

## **22. ENTIRE AGREEMENT, SEVERABILITY AND CONSTRUCTION.**

22.1 **Entire Agreement.** This Agreement, any attachments to this Agreement and any ancillary agreements between Franchisee and Franchisor, or any Affiliate, which are executed contemporaneously with this Agreement, constitute the entire and complete Agreement between Franchisor (and, if applicable, any Affiliate) and Franchisee concerning the subject matter thereof, and supersede all prior agreements. Except for those permitted under this Agreement to be made unilaterally by Franchisor, no amendment, change, or variation from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Franchisee in the Franchise Disclosure Document or in any related document that Franchisor heretofore furnished to Franchisee.

22.2 **Severability and Construction.** Except as expressly provided to the contrary in this Agreement, each Section, Paragraph, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any Section, Paragraph, part, term, provision and/or covenant in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, paragraphs, parts, terms, provisions and/or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties to this Agreement; and the invalid portions, sections, paragraphs, parts, terms, provisions and/or covenants shall be deemed not to be a part of this Agreement. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been independently reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used to fairly accomplish the purposes and intentions of all parties to this Agreement. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

22.3 **Survival of Obligations after Expiration or Termination of Agreement.** Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

22.4 **Survival of Modified Provisions.** Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

22.5 **Captions.** All captions in this Agreement are intended for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

22.6 **Responsibility.** The term “**Franchisee**” as used in this Agreement shall refer to each person executing this Agreement as Franchisee, whether such person is one of the spouses, partners, shareholders, members, trustees, trustors or beneficiaries or persons named as included in Franchisee, and shall apply to each such person as if he were the only named Franchisee in this Agreement.

22.6.1 If Franchisee is a married couple, both husband and wife executing this Agreement shall be liable for all obligations and duties of Franchisee under this Agreement as if such spouse were the sole Franchisee under this Agreement.

22.6.2 If Franchisee is a partnership or if more than one person executes this Agreement as Franchisee, each partner or person executing this Agreement shall be liable for all the obligations and duties of Franchisee under this Agreement.

22.6.3 If Franchisee is a trust, each trustee, trustor and beneficiary signing this Agreement shall be liable for all of the obligations and duties of Franchisee under this Agreement.

22.6.4 If Franchisee is a corporation or limited liability company, all shareholders or members executing this Agreement shall be liable for all obligations and duties of Franchisee under this Agreement as if each such shareholder or member were the sole Franchisee under this Agreement.

22.6.5 If Franchisee is in breach or default under this Agreement, Franchisor may proceed directly against each such spouse, partner, signatory to this Agreement, shareholder, member, trustee, trustor or beneficiary without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, partner, signatory to this Agreement, shareholder, member, trustee, trustor or beneficiary. The obligations of Franchisee and each such spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor and beneficiary shall be joint and several.

22.6.6 Notice to or demand upon one spouse, partner, person signing this Agreement, shareholder, member, trustee, trustor or beneficiary shall be deemed notice to or demand upon Franchisee and all such spouses, partners, persons signing this Agreement, shareholders, members, trustees, trustors and beneficiaries, and no notice or demand need be made to or upon all such Franchisee's, spouses, partners, persons executing this Agreement, shareholders, members, trustees, trustors or beneficiaries.

22.6.7 The cessation of or release from liability of Franchisee, or any such spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor or beneficiary shall not relieve any other Franchisee, spouse, partner, person executing this Agreement, shareholder, member, trustee, trustor or beneficiary from liability under this Agreement, except to the extent that the breach or default has been remedied or monies owed have been paid.

22.7 **Incorporation of Recitals.** The recitals set forth in Paragraphs A through D of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.

## 23. **DISPUTE RESOLUTION.**

23.1 **Mediation.** Franchisor and Franchisee pledge to attempt first to resolve any dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the AAA unless Franchisor and Franchisee agree on alternative rules and a mediator within fifteen (15) days after either party first gives notice of mediation. Mediation shall be conducted in Orange County, California, and shall be conducted and completed within forty-five (45) days following the date either party first gives notice of mediation unless otherwise agreed to in writing by Franchisor and Franchisee. The fees and expenses of the mediator shall be shared equally by Franchisor and Franchisee. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other applicable laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and Franchisor and Franchisee shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any party that fails to

reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses, and/or prevailing party attorneys' fees in any subsequent legal action. If any dispute remains unresolved ninety (90) days after a demand for mediation by either party, Franchisor and Franchisee shall each be free to pursue their respective legal remedies under Section 23.2.

**23.2 Judicial Relief.** Franchisor and Franchisee agree that (i) all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Orange, or the United States District Court of the Central District of California ("Courts"). To the fullest extent that the parties may do so under applicable law, the parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. California law shall govern the construction, interpretation, validity and enforcement of this Agreement, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event federal law shall govern. If any provision of this Agreement would not be enforceable under the laws of California, and if the Bearfruit Franchised Business is located outside of California and such provision would be enforceable under the laws of the state in which the Bearfruit Franchised Business is located, then such provision shall be interpreted and construed under the laws of that state.

**23.3 Waivers.** Franchisor and Franchisee agree, to the extent permitted by applicable law, that any legal action of any kind by either party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one (1) year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Franchisee, for themselves, and for and on behalf of the Franchisor's owners and the Franchisee's Owners, respectively, hereby waive to the fullest extent permitted by applicable law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Franchisee shall each be limited to recovering only the actual damages proven to have been sustained by that party, except as provided in Section 23.5.

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

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

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

**24. ACKNOWLEDGMENTS.**

24.1 **Anti-Terrorism Laws.** Neither Franchisee nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act (“**Patriot Act**”) and any amendments or successors thereto.

24.1.1 Neither Franchisee, any of its Owners nor any employee of either of them is named as a “**Specially Designated Nationals**” or “**Blocked Persons**” as designated by the U.S. Department of the Treasury’s Office of Foreign Assets Control. Currently, this list is published under the internet website address “[www.treas.gov/offices/enforcement/ofac/sdn/](http://www.treas.gov/offices/enforcement/ofac/sdn/)”. Franchisee is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Franchisee or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. Franchisee agrees that it will notify Franchisor in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this paragraph incorrect.

24.1.2 Franchisee represents that it understands and has been advised by legal counsel on the requirements of the applicable laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at [www.usdoj.gov/criminal/fraud/fcpa.html](http://www.usdoj.gov/criminal/fraud/fcpa.html)), any local foreign corrupt practices laws and the Patriot Act (currently located at [www.epic.org/privacy/terrorism/hr3162.html](http://www.epic.org/privacy/terrorism/hr3162.html)), and hereby acknowledges the importance to Franchisor, the Bearfruit System and the parties’ relationship of their respective compliance with any applicable auditing requirements and any requirement to report or provide access to information to Franchisor or any government, that is made part of any applicable law. Franchisee shall take all reasonable steps to require its consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

24.2 **Atypical Arrangements.** Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers have or may have terms, conditions and obligations which may differ from the terms, conditions and obligations in this Agreement. Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation that all Franchise Agreements previously issued or issued after this Franchise Agreement by Franchisor do or will contain terms substantially similar to those contained in this Franchise Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the date of this Franchise Agreement with other Bearfruit franchisees in a non-uniform manner. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations made in the franchise disclosure document.

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

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

*[signature page immediately follows]*

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the date first shown above.

**FRANCHISOR:**

BEARFRUIT FRANCHISE  
CORPORATION, a California  
corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_,

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

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**BEARFRUIT FRANCHISE CORPORATION  
FRANCHISE AGREEMENT**

**ATTACHMENT A  
THE FRANCHISED LOCATION  
AND THE TERRITORY**

**BEARFRUIT FRANCHISE CORPORATION  
FRANCHISE AGREEMENT**

**ATTACHMENT A  
THE FRANCHISED LOCATION  
AND THE TERRITORY**

1. **Franchised Location.** The following site has been selected by Franchisee and approved by Franchisor as the “**Franchised Location**” for the “**Bearfruit Franchised Business**” in accordance with Section 1.2 of the Franchise Agreement entered into between Franchisor and Franchisee dated: \_\_, 20\_\_.

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2. **Territory.** The following area has been designated by Franchisor and accepted by Franchisee as the “**Territory**” of the Bearfruit Franchised Business in accordance with Section 1.3 of the Franchise Agreement:

[ ] A radius of \_\_\_\_\_ miles surrounding the Franchised Location.

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

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

3. **Expiration Date.** The Expiration Date of the Franchise Agreement is \_\_\_\_\_, subject to Section 2.1 of the Franchise Agreement.

**[SIGNATURES CONTINUE ON NEXT PAGE]**

**IN WITNESS WHEREOF**, the parties have executed this Attachment on \_\_\_\_\_.

**FRANCHISOR:**

BEARFRUIT FRANCHISE CORPORATION,  
a California corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_,

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

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**BEARFRUIT FRANCHISE CORPORATION  
FRANCHISE AGREEMENT**

**ATTACHMENT B ENTITY  
INFORMATION**

**BEARFRUIT FRANCHISE CORPORATION  
FRANCHISE AGREEMENT**

**ATTACHMENT B  
ENTITY INFORMATION**

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

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

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

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

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

(4) The name and address of each of Franchisee's Owners, members, shareholders or general and limited partners:

<b>NAME</b>	<b>ADDRESS</b>	<b>NUMBER OF SHARES OR PERCENTAGE INTEREST (if applicable)</b>

(5) Set forth below are the names, addresses and titles of Franchisee's principal officers, partners and shareholders who will be devoting their full time to the operation and management of the Bearfruit Franchised Business:

<b>NAME</b>	<b>ADDRESS</b>	<b>TITLE</b>

(6) The address where Franchisee's Financial Records and entity records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

**[SIGNATURES CONTINUE ON NEXT PAGE]**

**FRANCHISOR:**

BEARFRUIT FRANCHISE CORPORATION,  
a California corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

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

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**BEARFRUIT FRANCHISE CORPORATION  
FRANCHISE AGREEMENT**

**ATTACHMENT C  
GUARANTEE**

**BEARFRUIT FRANCHISE CORPORATION**  
**FRANCHISE AGREEMENT**

**ATTACHMENT C**  
**GUARANTEE**

As an inducement to **BEARFRUIT FRANCHISE CORPORATION**, a California corporation (“**Franchisor**”), to execute the Franchise Agreement with \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”) dated \_\_\_\_\_, and in consideration of Franchisor’s executing the Franchise Agreement, \_\_\_\_\_ (“**Guarantor**”) agrees as follows:

A. Guarantor shall pay or cause to be paid to Franchisor all monies payable by Franchisee under the Franchise Agreement on the days and times in the manner therein appointed for payment thereof.

B. Guarantor shall unconditionally guarantee full performance and discharge by Franchisee of all the obligations of Franchisee under the Franchise Agreement at the times and in the manner therein provided.

C. Guarantor shall indemnify and hold Franchisor and its affiliates harmless against and from all losses, damages, costs, and expenses which Franchisor and its affiliates may sustain, incur or become liable for by reason of: (i) the failure for any reason whatsoever of Franchisee to pay the monies payable pursuant to the Franchise Agreement or to do and perform any other act, matter or thing pursuant to the provisions of the Franchise Agreement; or (ii) any act, action or proceeding of or by Franchisor for or in connection with the recovery of monies or the obtaining of performance by Franchisee of any other act, matter or thing pursuant to the provisions of the Franchise Agreement.

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

E. Without affecting the Guarantor’s obligations under this Guarantee, Franchisor, without notice to the Guarantor, may extend, modify or release any indebtedness or obligation of Franchisee, or settle, adjust or compromise any claims against Franchisee. Guarantor waives notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

F. Guarantor’s obligations under this Guarantee shall remain in full force and effect, and shall be unaffected by: (i) the unenforceability of the Franchise Agreement against Franchisee; (ii) the termination of any obligations of Franchisee under the Franchise Agreement by operation of law or otherwise; (iii) the bankruptcy, insolvency, dissolution or other liquidation of Franchisee, including, without limitation, any surrender or disclaimer of the Franchise Agreement by the trustee in bankruptcy of Franchisee; (iv) Franchisor’s consent or acquiescence to any bankruptcy, receivership, insolvency or any other creditor’s proceedings of or against Franchisee, or by the winding-up or dissolution of Franchisee, or any other event or occurrence which would have the effect at law of terminating the existence of Franchisee’s obligations prior to the termination of the Franchise Agreement; or (v) by any other agreements or other dealings between Franchisor and Franchisee having the effect of amending or altering the Franchise Agreement or Franchisee’s obligations under this Guarantee, or by any want of notice by Franchisor to Franchisee of any default of Franchisee or by any other matter, thing, act or omission of Franchisor whatsoever.

G. The provisions of Section 22 of the Franchise Agreement shall apply as to any interpretation or enforcement of this Guarantee, and the provisions of Section 21.3 of the Franchise Agreement shall apply to any notice to either party, except that notice to Guarantor shall be as follows:

**Names and Addresses**

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**IN WITNESS WHEREOF**, each of the undersigned has signed this Guarantee as of the day and year set forth below.

**GUARANTOR:**

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**Date:**

**Date:**

**BEARFRUIT FRANCHISE CORPORATION  
FRANCHISE AGREEMENT**

**ATTACHMENT D COLLATERAL  
ASSIGNMENT OF LEASE**

**BEARFRUIT FRANCHISE CORPORATION  
FRANCHISE AGREEMENT**

**ATTACHMENT D COLLATERAL  
ASSIGNMENT OF LEASE**

THIS COLLATERAL ASSIGNMENT OF LEASE (this "Assignment") is entered into as of \_\_\_\_\_, 20\_\_\_\_, between \_\_\_\_\_ ("Franchisee") and **BEARFRUIT FRANCHISE CORPORATION**, a California corporation ("Franchisor").

Subject to the provisions hereof, Franchisee, to secure its obligations to Franchisor under the Franchise Agreement between Franchisor and Franchisee for the operation of a Bearfruit business (the "**Bearfruit Franchised Business**"), dated \_\_\_\_\_, 20\_\_\_\_ (the "**Franchise Agreement**"), hereby assigns, transfers and sets over unto Franchisor and/or such persons/entity(ies) as Franchisor may from time to time designate all of Franchisee's right, title and interest, whether as tenant or otherwise, in, to and under that certain lease (the "**Lease**"), a copy of which is attached to this Assignment, dated \_\_\_\_\_, 20\_\_\_\_, between Franchisee and \_\_\_\_\_ ("Landlord"), for the property commonly known as \_\_\_\_\_ (the "**Franchised Location**") in accordance with Section 7.12 of the Franchise Agreement. Franchisor shall have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease or otherwise (including, but not limited to, any obligation to pay rent and/or other amounts) until and unless Franchisor, in its sole and absolute discretion, takes possession of the Franchised Location pursuant to the terms hereof and expressly (and in writing) assumes the rights and obligations of Franchisee under the Lease, Franchisor only being responsible for those obligations accruing after the date of such assumption.

Franchisee shall indemnify and hold harmless Franchisor from and against all claims and demands of any type, kind or nature made by the Landlord or any third party that arise out of or are in any manner connected with Franchisee's use and occupancy of the Franchised Location subject to the Lease.

Franchisee represents and warrants to Franchisor that Franchisee has full power and authority to assign the Lease and its interest in the Bearfruit Franchised Business.

Franchisor shall not take possession of the Franchised Location until and unless (i) Franchisee defaults (and/or until there is a termination, cancellation, rescission or expiration of Franchisee's rights) under the Lease, any sublease, the Franchise Agreement or other agreement between Franchisee and Franchisor (or any affiliate); (ii) Franchisee is adjudicated insolvent, or makes an assignment for the benefit of creditors; (iii) Franchisee applies for or consents to the appointment of a custodian, receiver, trustee, or similar officer for it or for all or any substantial part of its property; (iv) such a custodian, receiver, trustee or similar officer is appointed without the application or consent of Franchisee, and such appointment continues undischarged for a period of sixty (60) days; (v) Franchisee is adjudicated bankrupt or institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (vi) any such proceeding is instituted (by petition, application or otherwise) against Franchisee and remains undismissed for a period of sixty (60) days. In such event, Franchisor (or its designee) shall have the right, and is hereby empowered, (but has no obligation) to take possession of the Franchised Location, expel Franchisee therefrom, and, in such event, Franchisee shall have no further right, title or interest in or under the Lease or to the Franchised Location, all such rights thereby passing to Franchisor or its designee, in each case without the Landlord's further consent. Franchisee shall do all acts necessary or appropriate to accomplish such assignment on Franchisor's request. Franchisee shall reimburse Franchisor for the costs and expenses incurred in connection with any such retaking, including, without limitation, the payment of any back rent and other payments due under the Lease (whether such payments are made by a separate agreement with the Landlord or otherwise), attorneys' fees and expenses of litigation incurred in

enforcing this Assignment, costs incurred in reletting the Franchised Location and costs incurred for putting the Franchised Location in good working order and repair. If Franchisee loses its lease rights to the Franchised Location in connection with any bankruptcy, the Landlord shall, on Franchisor's request, enter into a new lease with Franchisor on essentially the same terms as the terminated Lease.

Franchisee agrees that it shall not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Franchisor nor shall Franchisee sell, transfer, assign, sublet or enter into any agreement to sell, transfer, assign or sublet any of its right, title or interest in and to the Bearfruit Franchised Business or the Franchised Location, including any transfer, assignment or sublet of the Franchise Agreement, the Lease or any of the operating assets of the Bearfruit Franchised Business except as otherwise provided in the Franchise Agreement or this Assignment. Throughout the term of the Franchise Agreement, Franchisee agrees that it shall elect and exercise on a timely basis all options to extend the term, or renew or assume in bankruptcy, the Lease, unless Franchisor otherwise agrees in writing. Upon failure of Franchisee to so elect to extend or renew or assume the Lease, Franchisee hereby appoints Franchisor as its true and lawful attorney-in-fact to exercise such options in the name, place and stead of Franchisee for the sole purpose of effecting any extension, renewal or assumption, in each case for the account of Franchisee and without any liability or obligation of Franchisor.

Failure of Franchisor to exercise any remedy hereunder shall not be construed or deemed to be a waiver of any of its rights hereunder. The rights and remedies of Franchisor under this Assignment are cumulative and are not in lieu of, but are in addition to, any other rights and remedies which Franchisor shall have under or by virtue of the Franchise Agreement or otherwise. The terms, covenants, and conditions contained herein shall bind Franchisee and its successors and assigns, and inure to the benefit of Franchisor and its successors and assigns. In the event of any dispute between the parties regarding this Assignment, or any matter related in any way to it, the dispute resolution provisions (including, but not limited to, mediation, binding arbitration, waiver of jury trial and limitation of damages) of the Franchise Agreement between Franchisor and Franchisee shall apply. If there is more than one Franchisee, their obligations hereunder shall be joint and several.

This Assignment or any memorandum related hereto may be recorded by, and at the expense of, Franchisor. Franchisee hereby appoints Franchisor as its attorney-in-fact to execute any and all documents and to take any and all such actions, as are necessary or appropriate to record such instrument referenced above.

Notwithstanding anything to the contrary contained herein, Franchisee shall indemnify, defend and hold harmless Franchisor with respect to all obligations and liabilities, including, without limitation, the obligations to pay all rent and other monies due under the Lease, that arise after the date of any assignment of the Lease that transpires under this Assignment; provided, however, nothing hereunder shall affect any obligations or covenants of Franchisee owed under its Franchise Agreement with Franchisor, including, without limitation, any post-termination covenant not to compete.

**[SIGNATURES CONTINUE ON NEXT PAGE]**

**FRANCHISOR:**

BEARFRUIT FRANCHISE CORPORATION,  
a California corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT B**  
**BEARFRUIT FRANCHISE CORPORATION**  
**STATE-SPECIFIC ADDENDA**

**CALIFORNIA**  
**ADDENDUM TO DISCLOSURE DOCUMENT**

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

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

**OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfp.ca.gov](http://www.dfp.ca.gov).**

1. The following language is added to the end of Item 3 of the disclosure document:

Neither we nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

California Business and Professions Code sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement provides that the parties must first attempt to resolve all disputes by mediation in Orange County, California. The fees and expenses of the mediator will be shared equally by Franchisor and Franchisee.

The Franchisor will not enforce in California the prohibition on Franchisee's ability to employ or solicit for employment any current or former employee of Franchisor or its Affiliates for employment (also known as a no-poach/non-solicitation provision) that is disclosed in Item 17, rows q and r and in Section 16.8 of the Franchise Agreement.

3. The franchise agreement contains a provision requiring you to waive your right to punitive or exemplary damages against the franchisor or any of its representatives and limiting your recovery to actual damages as well as shortening the time period in which you can bring a claim (known as the statute of limitations). Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.
4. Under California law, an agreement between a seller and a buyer regarding the price at which the buyer can resell a product (known as vertical price-fixing or resale price maintenance) is illegal. Therefore, requirements on franchisees to sell goods or services at specific prices set by the franchisor may be unenforceable.
5. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**
6. The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.
7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**EXHIBIT C**  
**BEARFRUIT FRANCHISE CORPORATION**  
**CONFIDENTIALITY AGREEMENT**

**BEARFRUIT FRANCHISE CORPORATION**  
**CONFIDENTIALITY AGREEMENT**

THIS CONFIDENTIALITY AGREEMENT (this “**Agreement**”) is made this day of \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), by and between **BEARFRUIT FRANCHISE CORPORATION**, a California corporation (“**Franchisor**”), on the one hand, and \_\_\_\_\_, a \_\_\_\_\_ (“**Candidate**”), on the other hand, with reference to the following facts:

A. The Franchisor, as the result of the expenditure of time, skill, effort and money, has developed a unique system identified under the name “Bearfruit” related to the establishment, development and operation of facilities offering hand-crafted and artfully designed jewelry in accordance with its specifications, methods of operation, promotion and sale (“**Bearfruit Franchised Business**”).

B. Bearfruit Franchised Businesses are identified by means of certain trade names, Bearfruit service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark “**Bearfruit**” and other such trade names, Bearfruit service marks and trademarks as are now designated and may hereafter be designated by Franchisor in writing (collectively, the “**Bearfruit Marks**”) for use in connection with the operation of Bearfruit Franchised Businesses.

C. The distinguishing characteristics of Bearfruit Franchised Businesses include, without limitation, hand-crafted and artfully designed jewelry, jewelry displays, cart design, fixtures, lighting, manuals, materials, services, related written content created, owned and copyrighted or copyrightable by the Operating Company (collectively, the “**Bearfruit Proprietary Materials**”), distinctive design, decor, color scheme and furnishings for the Bearfruit Franchised Businesses; service standards; uniform standards, specifications and procedures for operations; procedures for management control; training and assistance; specifications for equipment and fixtures; defined product offerings; Franchisor specified pricing; restrictions on ownership; and advertising, public relations and promotional programs, all of which may be changed, improved and further developed by Franchisor from time to time (collectively, the “**Bearfruit System**”). Franchisor has obtained the right to use, and to license others to use, the Bearfruit Marks and the Bearfruit System, and has, as a result of its expenditure of time, skill, effort and money, developed a distinctive franchise model for qualified franchisees to obtain the right to operate a Bearfruit Franchised Business using the Bearfruit Marks and the Bearfruit System.

D. Candidate desires to apply to become a Bearfruit Franchised Business franchisee. In connection therewith, Franchisor may provide Candidate with confidential and proprietary information regarding the Bearfruit Proprietary Materials and the Bearfruit System prior to granting or declining to grant Candidate a franchise. Franchisor desires that Candidate maintain the confidentiality of all such confidential and proprietary information on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE, IT IS AGREED:**

1. **INCORPORATION OF RECITALS.**

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

## 2. **CONFIDENTIALITY.**

Candidate acknowledges and agrees:

2.1. **Confidential Information.** That Candidate's knowledge of the elements of the Bearfruit Proprietary Materials and the Bearfruit System and any other proprietary data that may be disclosed to Candidate by Franchisor, or any affiliate of Franchisor, including, without limitation, any and all confidential and/or proprietary knowledge, data or information of a party and any and all confidential and/or proprietary knowledge, data or information which a party has obtained or obtains from another person or entity and which a party treats as proprietary or designates (whether or not in writing or electronic form) as "**Confidential Information.**" By way of illustration, but not limitation, "**Confidential Information**" includes tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, styles, products and services, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, the Bearfruit Proprietary Materials and Bearfruit System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products, or synthesized or used by Candidate. Confidential Information does not include any information that was in the lawful and unrestricted possession of Candidate prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Candidate after receiving it; has been received lawfully and in good faith by Candidate from a third party who did not derive it from Franchisor or Candidate; or is shown by acceptable evidence to have been independently developed by Candidate.

2.2. **Value.** That the Confidential Information has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public and is of substantial value.

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

2.4. **Maintain Confidentiality.** That Candidate will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than another person who is actively and directly participating in the acquisition of the franchise with Candidate, but only after first disclosing the identity of such person to Franchisor in writing and obtaining such person's signature on a Non-Disclosure Agreement similar to this Agreement, unless covered by attorney-client privilege.

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

### 3. **GENERAL.**

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

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

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

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

3.5. **No Right to Use the Bearfruit Proprietary Materials, Bearfruit System or the Bearfruit Marks.** This Agreement is not a Franchise Agreement or a license of any sort, and does not grant Candidate any right to use or to franchise or license the use of the Confidential Information, the Bearfruit Proprietary Materials, the Bearfruit System and/or the Bearfruit Marks, rights expressly reserved by Franchisor.

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

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

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

3.9. **Attorneys' Fees.** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Candidate or its authorized representatives, Candidate shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If either party commences a legal proceeding against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

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

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

**Notices to Franchisor:**

Bearfruit Franchise Corporation  
3151 Airway Ave, Suite  
G-3, Costa Mesa, CA  
92656  
Fax: \_\_\_\_\_  
Attention: President

**Notices to Candidate:**

\_\_\_\_\_  
Fax: \_\_\_\_\_  
Attention: \_\_\_\_\_

Either party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3.12. **Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California.

3.13. **Venue.** The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the city and county in which Franchisor has its principal place of business at the time the action is initiated, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3.14. **Counterparts and Electronic Copies.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Signatures transmitted electronically or by facsimile will be deemed original signatures. Electronic copies of this Agreement shall constitute and be deemed original copies of this Agreement for all purposes,

provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the date first shown above.

**FRANCHISOR:**

BEARFRUIT FRANCHISE CORPORATION,  
a California corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**CANDIDATE:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT D**  
**BEARFRUIT FRANCHISE CORPORATION**  
**GENERAL RELEASE**

## GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this “**Release Agreement**”) is made and entered into as of \_\_\_\_\_ (the “**Effective Date**”), by and among **Bearfruit Franchise Corporation**, a California corporation (“**Franchisor**”), on the one hand, and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”), and \_\_\_\_\_ (“**Owner**”), on the other hand, who are collectively referred to in this Release Agreement as the “**Releasing Parties**”, with reference to the following facts:

A. Franchisor and Franchisee are parties to that certain Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) for the Bearfruit store (the “**Bearfruit Franchised Business**”) located at \_\_\_\_\_ (the “**Franchised Location**”).

B. Franchisee desires to enter into a \_\_\_\_\_.

C. This Release Agreement has been requested at a juncture in the relationship of the parties in which Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Franchisor is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a “clean slate” and that there are no outstanding grievances or Claims against it. Releasing Parties, therefore, gives this Release Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the parties. Releasing Parties acknowledges that this Release Agreement is intended to wipe the slate clean.

### NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Definitions.** As used herein, the following capitalized terms have the meanings ascribed to them.

1.1 “**Claims**” means all actual and alleged claims, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys’ fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature.

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

1.3 “**Excluded Matters**” means Franchisor’s continuing contractual obligations which arise or continue under and pursuant to the Franchise Documents on and after the date of this Release Agreement (this Release Agreement is not intended to terminate or amend the Franchise Agreement; this Release Agreement is intended to relieve Franchisor and its Constituents of responsibility for its or their failure, if any, to have timely performed or completed obligations which by the terms of the Franchise Agreement were to have been performed or completed prior to the Effective Date).

1.4     **“Franchisor Released Parties”** means Franchisor and each of its Constituents.

1.5     **“Losses”** means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference, proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys’ fees incurred in connection therewith, whether or not such Claim, reference, proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, reference, proceeding, lawsuit or arbitration.

2.     **General Release Agreement.** Releasing Parties, for themselves and their Constituents, hereby release and forever discharge the Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, except for the Excluded Matters and obligations under this Release Agreement.

3.     **Waiver of Section 1542 of the California Civil Code.**

3.1     Releasing Parties, for themselves and their Constituents, acknowledge that they are familiar with Section 1542 of the California Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

3.2     With respect to those Claims being released pursuant to Section 2, Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown Claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this Section 3, Releasing Parties shall be considered to be creditors of the Franchisor Released Parties, and each of them.

3.3     Releasing Parties acknowledge that this general release extends to Claims which Releasing Parties do not know or suspect to exist in favor of Releasing Parties at the time of executing this Release Agreement, which if known by Releasing Parties may have materially affected their decision to enter into this Release Agreement. It is understood by Releasing Parties that the facts under which this Release Agreement is given may hereafter turn out to be other than or different from the facts known or believed to be true. Releasing Parties therefore, expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

4.     **Representations and Warranties.** Releasing Parties hereby represent and warrant to the Franchisor that, in entering into this Release Agreement, they (i) are doing so freely and voluntarily upon the advice of counsel and business advisor of their own choice (or declined to do so, free from coercion, duress or fraud); (ii) have read and fully understand the terms and scope of this Release Agreement; (iii) realize that it is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) have not assigned, transferred or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims which are released by this Release Agreement now or in the future,

that they are aware of no third party who contends or claims otherwise, and that they shall not purport to assign, transfer or convey any such Claim hereafter.

5. **Covenants Not to Sue.** Releasing Parties hereby irrevocably covenant to refrain from, directly or indirectly, asserting any Claim or demand, commencing, initiating or causing to be commenced, any proceeding of any kind against any of the Franchisor Released Parties based upon any matter released hereby.

6. **Indemnity.** Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims, whether or not involving third-party Claims, arising directly or indirectly from or in connection with (i) the assertion by or on behalf of Releasing Parties or their Constituents of any Claim or other matter released pursuant to this Release Agreement; (ii) the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement; and (iii) any breach of representations, warranties or covenants hereunder by Releasing Parties or their Constituents.

7. **Miscellaneous.**

7.1 This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties hereto.

7.2 This Release Agreement, together with the agreements referenced herein, constitute the entire understanding between and among the parties hereto with respect to the subject matter hereof.

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

7.4 This Release Agreement shall be binding upon and inure to the benefit of the parties to this Release Agreement and their respective successors and permitted assigns.

7.5 The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the parties hereto, and shall have no applicability in construing this Release Agreement or the terms of this Release Agreement.

7.6 Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

7.7 Each of the parties acknowledges that it had the right and opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Release Agreement, and

each of the parties represents that it has either done so or that it has voluntarily declined to do so, free from coercion, duress or fraud.

7.8 This Release Agreement supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. The Release Agreement may not be amended except in a writing signed by all of the parties. No representations, warranties, agreements or covenants have been made with respect to this Release Agreement, and in executing this Release Agreement, none of the parties is relying upon any representation, warranty, agreement or covenant not set forth herein.

7.9 This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the Bearfruit Franchised Business is located outside of California and such provision would be enforceable under the laws of the state in which the Bearfruit Franchised Business is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 7.9 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought in Orange County, California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

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

**FRANCHISOR:**

BEARFRUIT FRANCHISE CORPORATION,  
a California corporation

By:

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Name:

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Title:

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**FRANCHISEE:**

\_\_\_\_\_,

a \_\_\_\_\_

By:

---

Name:

---

Title:

---

**OWNER:**

---

\_\_\_\_\_, an individual

**EXHIBIT E**

**BEARFRUIT FRANCHISE CORPORATION**

**OPERATIONS MANUAL TABLE OF CONTENTS**

# BEARFRUIT

J E W E L R Y

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**EXHIBIT F**

**BEARFRUIT FRANCHISE CORPORATION**

**AGENTS FOR SERVICE OF PROCESS & STATE ADMINISTRATORS**

**BEARFRUIT FRANCHISE CORPORATION**

**EXHIBIT F**

**LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>CALIFORNIA</b>	Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677 <a href="http://www.dfp.ca.gov">www.dfp.ca.gov</a> Ask.DFPI@dfpi.ca.gov	Commissioner of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677 <a href="http://www.dfp.ca.gov">www.dfp.ca.gov</a> Ask.DFPI@dfpi.ca.gov
<b>HAWAII</b>	Business Registration Division Department of Commerce and Consumer Affairs P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2722	Commissioner of Securities, Department of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
<b>ILLINOIS</b>	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
<b>INDIANA</b>	Indiana Secretary of State Securities Division, E-111 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
<b>MARYLAND</b>	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner at the Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
<b>MICHIGAN</b>	Consumer Protection Division, Antitrust and Franchising Unit Michigan Department of Attorney General 670 G. Mennen Williams Building 525 West Ottawa Lansing, Michigan 48933 (517) 373-7177	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909
<b>MINNESOTA</b>	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-4026	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-4026

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>NEW YORK</b>	New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway New York, New York 10271-0332 (212) 416-8000	Secretary of the State of New York 41 State Street Albany, New York 12231 (518) 474-4750
<b>NORTH DAKOTA</b>	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol, Fifth Floor Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
<b>OREGON</b>	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
<b>RHODE ISLAND</b>	Director, Securities Division State of Rhode Island Department of Business Regulation Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, RI 02920 (401) 462 9582	Securities Division Department of Business Regulation, Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, RI 02920 (401) 462 9582
<b>SOUTH DAKOTA</b>	Department of Labor and Regulation Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823	Department of Labor and Regulation Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823
<b>VIRGINIA</b>	State Corporation Commission Division of Securities and Retail Franchising Ninth Floor 1300 East Main Street Richmond, Virginia 23219 (804) 371-9672	Clerk, State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9672
<b>WASHINGTON</b>	Department of Financial Institutions Securities Division (360) 902-8760 Securities Division 150 Israel Road S.W. Tumwater, Washington 98501	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501
<b>WISCONSIN</b>	Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Street, 4 <sup>th</sup> Floor Madison, Wisconsin 53703	Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Street, 4 <sup>th</sup> Floor Madison, Wisconsin 53703

BEARFRUIT ADMINISTRATORS & AGENTS

**EXHIBIT G**  
**BEARFRUIT FRANCHISE CORPORATION**  
**FINANCIAL STATEMENTS**

**BEARFRUIT FRANCHISE CORPORATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, 2021 AND 2020**

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# **Stein & Company, LLP**

## **Certified Public Accountants**

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*Member of the American Institute of Certified Public Accountants*  
P.O. Box 185  
Montrose CA 91021  
www.steincompanyllp.com

*Member of the California Society of Certified Public Accountants*  
Phone: (818) 634-2276  
Fax: (818) 459-6961

### **INDEPENDENT AUDITORS' REPORT**

To the Stockholder and Board of Directors  
Bearfruit Franchise Corporation  
Irvine, California

#### **Opinion**

We have audited the financial statements of Bearfruit Franchise Corporation which comprise the balance sheet as of December 31, 2022, 2021 & 2020, and the related statements of income, stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bearfruit Franchise Corporation as of December 31, 2022, 2021 & 2020 and the results of operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis of Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bearfruit Franchise Corporation and to meet our ethical responsibilities, in accordance with the relevant ethical responsibilities related to our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bearfruit Franchise Corporation's ability to continue as a going concern for one year from the date these financial statements were issued.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error. As fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users made on the basis of these financial statements. In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Bearfruit Franchise Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, on our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bearfruit Franchise Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant findings, and certain internal control-related matters that we identified during the audit.

*Stein & Company, LLP*

Montrose, California

March 13, 2023

**BEARFRUIT FRANCHISE CORPORATION**  
**BALANCE SHEETS**  
**DECEMBER 31, 2022, 2021 and 2020**

**ASSETS**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current assets:			
Cash	\$ 3,103	\$ 104,476	\$ 56,622
Accounts receivable, net of allowance for doubtful accounts of \$15,000	<u>17,948</u>	<u>3,224</u>	-
Total current assets	21,051	107,700	56,622
Loan receivable - stockholder	<u>112,297</u>	-	8,293
Total assets	<u><u>\$ 133,348</u></u>	<u><u>\$ 107,700</u></u>	<u><u>\$ 64,915</u></u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Current liabilities:			
Accounts payable - related party	\$ 24,482	\$ 54,574	-
Other loans	16,667	30,000	-
Accrued expenses	<u>30,000</u>	-	4,580
Total current liabilities	<u>71,149</u>	<u>84,574</u>	<u>4,580</u>
Stockholder's equity:			
Common stock; 100,000 shares authorized; 10,000 shares issued and outstanding	45,300	45,300	45,300
Additional paid-in capital	50,000	50,000	50,000
Retained earnings	<u>(33,101)</u>	<u>(72,174)</u>	<u>(34,965)</u>
Total stockholder's equity	<u>62,199</u>	<u>23,126</u>	<u>60,335</u>
Total liabilities and stockholder's equity	<u><u>\$ 133,348</u></u>	<u><u>\$ 107,700</u></u>	<u><u>\$ 64,915</u></u>

See accompanying notes and independent auditors' report.

**BEARFRUIT FRANCHISE CORPORATION**  
**STATEMENTS OF OPERATIONS**  
**DECEMBER 31, 2022, 2021 and 2020**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net revenues	\$ 102,611	\$ 180,158	\$ 566
Operating expenses	<u>62,738</u>	<u>175,346</u>	<u>39,533</u>
Income (loss) from operations	39,873	4,812	(38,967)
Provision for income taxes	<u>800</u>	<u>800</u>	<u>800</u>
Net income (loss)	<u><u>\$ 39,073</u></u>	<u><u>\$ 4,012</u></u>	<u><u>\$ (39,767)</u></u>

See accompanying notes and independent auditors' report.

**BEARFRUIT FRANCHISE CORPORATION**  
**STATEMENTS OF STOCKHOLDER'S EQUITY**  
**DECEMBER 31, 2022, 2021 and 2020**

	Common Stock; 100,000 shares authorized		Additional paid- in Capital		Retained Earnings	Total Stockholder's Equity	
	Issued	Amount					
Balances, January 1, 2020	10,000	\$ 45,300	\$ 50,000	\$ 4,802	\$ 100,102		
Net loss for year ended December 31, 2020	-	-	-	(39,767)	(39,767)		
Balances, December 31, 2020	10,000	45,300	50,000	(34,965)	60,335		
Net income for year ended December 31, 2021	-	-	-	4,012	4,012		
Stockholder distributions	-	-	-	(41,221)	(41,221)		
Balances, December 31, 2021	10,000	45,300	50,000	(72,174)	23,126		
Net income for year ended December 31, 2022	-	-	-	39,073	39,073		
Stockholder distributions	-	-	-	-	-		
Balances, December 31, 2022	10,000	\$ 45,300	\$ 50,000	\$ (33,101)	\$ 62,199		

See accompanying notes and independent auditors' report.

**BEARFRUIT FRANCHISE CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2022, 2021 and 2020**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:			
Net income (loss)	\$ 39,073	\$ 4,012	\$ (39,767)
Increase in allowance for doubtful accounts	15,000	15,000	-
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Increase (decrease) in assets:			
Accounts receivable	(29,724)	(18,224)	-
Increase (decrease) in liabilities:			
Income taxes payable	-	-	-
Accounts payable to related party	(30,092)	54,574	-
Accrued expenses	30,000	(4,580)	1,800
Net cash from operating activities	<u>24,257</u>	<u>50,782</u>	<u>(37,967)</u>
Cash flows from investing activities -			
Increase (decrease) in loans receivable	(125,630)	38,293	53,274
Cash flows from investing activities -			
Stockholder distributions	-	(41,221)	(12,000)
Net cash from financing activities	-	(41,221)	(12,000)
Increase (decrease) in cash	(101,373)	47,854	3,307
Cash-beginning of year	<u>104,476</u>	<u>56,622</u>	<u>53,315</u>
Cash-end of year	<u><u>\$ 3,103</u></u>	<u><u>\$ 104,476</u></u>	<u><u>\$ 56,622</u></u>

**BEARFRUIT FRANCHISE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, 2021 and 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Business Activity**

Bearfruit Franchise Corporation (“the Company”) operates as a franchisor that sells the right to operate costume jewelry stores under the name “Bearfruit Jewelry.” Franchisees are allowed to use related trademarks, logos and the like, subject to certain confidential information and trade secrets. Franchisees are also required to follow and adhere to certain standards, conditions, rules and procedures as set forth in franchise agreements. Franchisees have the right to specific locations that are contained within each franchise agreement at the time each franchise is granted. Typical terms of the franchise agreements are ten years, with an additional ten-year renewal option. Franchisees are required to pay ongoing royalties and advertising fees based on a percentage of gross sales.

As of December 31, 2022, there were five franchised locations.

**Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk**

The Company sells franchises in the jewelry industry in the United States of America. Consequently, the Company is subject to economic fluctuations within that industry as well as the overall general economy.

**Allowance for Doubtful Accounts**

The Company provides credit to its franchisees in the jewelry industry, primarily for royalty and advertising fees. Consequently, the Company’s ability to collect receivables may be affected by economic fluctuations within that industry. Management performs ongoing credit evaluations of its franchisees and provides for an allowance for doubtful accounts, when needed, which is adjusted annually based on current economic conditions.

**BEARFRUIT FRANCHISE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, 2021 and 2020**  
**(continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company's stockholder has elected to be taxed as an S-Corporation and therefore the corporation incurs no Federal tax liability. Accordingly, any income or losses are taxed directly to the individual stockholder. The Company incurs only a minimal state income tax liability.

Fair Value of Financial Instruments

The Company has financial instruments whereby the fair market value of such financial instruments could be different than that recorded on a historical basis on the accompanying balance sheet. The Company's financial instruments consist of cash and loans to related parties.

Revenue recognition

Revenues are recorded when earned. Royalties are typically charged at 5% of gross revenues to franchisees and is payable monthly.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which sets forth a single, comprehensive revenue recognition model for all contracts with customers to improve comparability. Subsequently, the FASB has issued several standards related to ASU No. 2014-09 (collectively, the "New Revenue Standard"). The New Revenue Standard supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. This New Revenue Standard permits the use of either the full retrospective or modified retrospective method (also referred to as the cumulative effect transition method) when adopted.

The New Revenue Standard's core principle is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will:

1. identify the contract(s) with a customer;
2. identify the performance obligation in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

**BEARFRUIT FRANCHISE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, 2021 and 2020**  
**(continued)**

**2. NEW ACCOUNTING PRONOUNCEMENTS**

Lease Standard:

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*, which requires lease assets and liabilities to be recorded on the balance sheet. Certain qualitative and quantitative disclosures are also required. The Company adopted this ASU and related amendments for the year ending December 31, 2022. The Company is exempting leases with an initial term of twelve months or less from balance sheet recognition and, for most classes of assets, the Company will be combining non-lease components with lease components. The adoption of this ASU and related amendments did not materially change total assets and liabilities nor the Company's statement of income and statements of cash flows.

**3. LOAN RECEIVABLE FROM STOCKHOLDER**

The loan receivable are advances to the stockholder. The loan is unsecured without interest.

**4. RELATED PARTY TRANSACTIONS**

The Company leases office space from a company owned by the stockholder. Total rent expense paid to them amounted to \$7,200 for each of the years ended December 31, 2022, 2021 and 2020. The Company also owns a related entity for certain expenses paid on behalf of the Company.

**6. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through March 13, 2023 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2022, have been incorporated into these financial statements herein.

**7. SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the years ended December 31, 2022, 2021 and 2020 for interest and income taxes amounted to \$0 and \$800, respectively for each year.

**EXHIBIT H**  
**BEARFRUIT FRANCHISE CORPORATION**  
**LIST OF FRANCHISEES**

## LIST OF CURRENT AND FORMER FRANCHISEES AS OF JANUARY 1, 2023

Current Franchisees:

### **California**

Westfield Santa Anita  
400 S Baldwin Ave, E20  
Arcadia, CA 91007  
Hyo Won Ahn  
626-538-4197

Los Cerritos Center  
255 Los Cerritos Center, Space D20  
Cerritos, CA 90703  
Hoseok (Harry) Seong  
657-478-9905

Irvine Spectrum Center  
742 Spectrum Center Drive  
Irvine, CA 92618  
Seunghye Lee  
949-932-0124

Fashion Island  
941 Newport Center Drive  
Newport Beach, CA 92660  
Hyunjoo Jang  
949-520-7171

### **Texas**

The Galleria Dallas  
13350 Dallas Pkwy, Suite 1225  
Dallas, TX 75240  
Hyesung Kim  
972-863-9645

Former Franchisees:

### **California**

Joanna Zhang  
The Americana at Brand  
889 Americana Way,  
Glendale, CA 91210  
(626) 899-2998

Miya Benette  
Los Angeles, CA

(310) 926-1610  
Erica Rim  
Tustin, CA 92782  
(949) 873-3988

**Texas**

Young Hee Jo  
The Galleria  
5085 Westheimer Rd,  
Houston, TX 77056  
(858) 945-4050

**Colorado**

Denver International Airport  
8400 Pena Blvd, Unit 492024  
Denver, CO 80249  
Daniel McDonald  
307-851-2209

Denver International Airport  
8700 Pena Blvd, Concourse A, Unit 200  
Denver, CO 80249  
Daniel McDonald  
307-851-2209

Denver International Airport  
8400 Pena Blvd, Unit 4008-R  
Denver, CO 80249  
Daniel McDonald  
307-851-2209

## **STATE EFFECTIVE DATES**

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

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

<b>State</b>	<b>Effective Date</b>
California	
Hawaii	

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

**EXHIBIT I**  
**BEARFRUIT FRANCHISE CORPORATION RECEIPTS**

## RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Bearfruit Franchise Corporation offers you a franchise, Bearfruit Franchise Corporation must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

New York, Oklahoma and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever comes first.

If Bearfruit Franchise Corporation does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency Identified on **Exhibit F**.

The franchisor is Bearfruit Franchise Corporation, located at 3151 Airway Ave, Suite G-3, Costa Mesa, CA 92656, (657) 218-9025.

Issuance Date: March 13, 2023

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Amy Lee, Jae Chang, or Monica Lowell, 3151 Airway Ave, Suite G-3, Costa Mesa, CA 92656, (657) 218-9025.

We authorize the persons and/or entities listed on **Exhibit F** to receive service of process for us.

I have received a Disclosure Document dated March 13, 2023. This Disclosure Document includes the following Exhibits:

Exhibit A	Franchise Agreement and Attachments
Exhibit B	State-Specific Addenda
Exhibit C	Confidentiality Agreement for Prospective Franchisees
Exhibit D	General Release Agreement
Exhibit E	Operations Manual Table of Contents
Exhibit F	Agents for Service of Process & State Administrators
Exhibit G	Financial Statements
Exhibit H	List of Franchisees
Exhibit I	Receipts

Date \_\_\_\_\_

Franchisee \_\_\_\_\_

Please sign this copy of the Receipt, date your signature, and return it to: Amy Lee, Jae Chang, or Monica Lowell, 3151 Airway Ave, Suite G-3, Costa Mesa, CA 92656, (657) 218-9025, [franchise@bearfruitjewelry.com](mailto:franchise@bearfruitjewelry.com).

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Date \_\_\_\_\_

Franchisee \_\_\_\_\_

Keep this copy for your records. This Disclosure Document may be available in several formats including on paper, on a CD, in pdf format or on our website: [bearfruitjewelry.com](http://bearfruitjewelry.com)

