

Item 12

TERRITORY

The Company will not grant more than one franchise for every one hundred thousand residents or increment of that amount in your MSA, but the Company may grant one additional franchise in your MSA for each franchisee that has been in business for more than one year and that has not purchased at least four pallets of H & H Products during the preceding twelve months. Your MSA will be described in Schedule 1 to the Franchise Agreement. If you live outside an MSA, the Company will treat you as a resident of the closest MSA or describe an area on Schedule 1 of your Franchise Agreement that will give you the same competitive benefits as an MSA.

The Company will not sell bulk packs of FRUITFULL[®] frozen fruit bars in your MSA to anyone other than the Company's franchisees who conducted business in your MSA before the date the Company awarded its first franchise in your MSA. The Company can sell FRUITFULL[®] frozen fruit bars or frozen yogurt bars in other size packages, or any other H & H Product, through other channels of distribution within and outside your MSA.

The Company may establish a company-owned outlet or other channel of distribution using the Licensed Marks.

Retail Franchisees may not solicit sales from any wholesale account without our consent, which will be conditioned on the Franchisee's execution of an agreement to be bound by all the terms and conditions of Standard Wholesale Franchisees, as they may exist at the time the request is made. Finally, you may not sell H & H Products to any other distributor of frozen desserts or snack products without our prior written approval, which may be withheld for any reason. You may sell H & H Products within your assigned MSA and within a reasonable distance from the assigned MSA, provided: (i) the Company only will ship to a single cold storage facility; and (ii) you may not sell H & H Products in an MSA not assigned to you if the Company has granted the maximum allowable number of franchises for that MSA. The Company may, in its sole discretion, determine whether the location of your cold storage facility is unreasonable or whether sales accounts outside your MSA are unreasonably remote from the MSA.

The Company or its affiliates has not established but may establish other franchisees or company-owned outlets or another channels of distribution selling or leasing similar products or services under a different trademark, but has no present plans to do so.

The Company prohibits you from soliciting sales from existing H & H accounts of another Franchisee. The Company also prohibits you from soliciting any actively pursued accounts of another Franchisee provided that such Franchisee is following the guidelines for actively pursuing accounts as stipulated in the Company's Operation Manual.

If you fail to purchase at least 4 pallets of frozen H & H Products from the Company or an authorized Master Distributor during any calendar year following the year in which your Franchise Agreement is executed, the Company can terminate your franchise.