

# FRANCHISE DISCLOSURE DOCUMENT

The Meadows Franchise Systems, Inc.

A Pennsylvania Corporation

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Hollidaysburg, PA 16648

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www.meadowsfrozencustard.com



The franchisee will operate a Meadows Original Frozen Custard Stand featuring frozen custard and frozen yogurt.

The total investment necessary to begin operation of a Meadows Original Frozen Custard Stand franchised business is \$134,000 to \$512,000 (excluding lease and/or real estate acquisition costs). This includes \$25,000 that must be paid to the franchisor or its affiliate(s).

This disclosure summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however that no government 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 disclosure in different formats, contact Steven D. Gardner at 310 Penn Street, Suite 300, Hollidaysburg, Pennsylvania, 16648, 866-868-2954.

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 document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 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.

Issuance Date: October 14, 2025

## 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.
<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>	Exhibit D 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 Meadows Original Frozen Custard Stand 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 Meadows franchisee?</b>	Item 20 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 A.

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**

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Pennsylvania. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with franchisor in Pennsylvania than in your own state.
2. **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.

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.

## TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES.....	1
2. BUSINESS EXPERIENCE.....	2
3. LITIGATION .....	2
4. BANKRUPTCY.....	2
5. INITIAL FEES.....	2
6. OTHER FEES .....	2
7. ESTIMATED INITIAL INVESTMENT .....	5
8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	7
9. FRANCHISEE'S OBLIGATIONS .....	8
10. FINANCING .....	10
11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	10
12. TERRITORY .....	14
13. TRADEMARKS .....	15
14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	16
15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	16
16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	17
17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	17
18. PUBLIC FIGURES .....	22
19. FINANCIAL PERFORMANCE REPRESENTATIONS.....	22
20. OUTLETS AND FRANCHISEE INFORMATION .....	22
21. FINANCIAL STATEMENTS .....	29
22. CONTRACTS.....	29
23. RECEIPTS .....	29

**EXHIBITS:**

- A. List of State Administrators
- B. Operating Manual Table of Contents
- C.1. Meadows Option Agreement
- C.2. Meadows Franchise Agreement
- C.3. General Release
- D. Financial Statements
- E. Maryland Addendum
- F. Virginia Addendum

STATE EFFECTIVE DATES

ACKNOWLEDGEMENT OF RECEIPT

## **ITEM 1**

### **THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this disclosure document, "we" and "Meadows" means The Meadows Franchise Systems, Incorporated, the franchisor. "You" means the person or legal entity who buys the franchise. If you are a corporation, certain provisions of this disclosure document also apply to your owners and will be noted.

Meadows is a Pennsylvania corporation incorporated in December 1986. Our principal place of business is at 310 Penn Street, Suite 300, Hollidaysburg, Pennsylvania, 16648. Our predecessor is J. V. Meadows and Sons, a sole proprietorship, founded in 1950 and later incorporated in Pennsylvania in 1979 as J. V. Meadows and Sons, Incorporated, 1391 Rt. 220 N. Business, Duncansville, Pa., 16635. We do business as The Meadows and The Meadows Original Frozen Custard. Our agents for service of process are as follows: Georgia – Secretary of State, Corporations Division, 2 MLK Jr. Drive, Suite 313, Floyd West Tower, Atlanta, GA 30334-1530; Maryland - Securities Commissioner, Division of Security, 200 St. Paul Place, Baltimore, MD 21202; Massachusetts - Secretary of the Commonwealth of Massachusetts, One Ashburton Place Boston, MA 02108; New Jersey – Department of the Treasury, Division of Revenue and Enterprise Services, PO Box 628, Trenton, NJ 08625-0628; New York – Secretary of State, 99 Washington Avenue, Albany, NY 12231; Pennsylvania - John P. Urban, Urban & Blattenberger, P.C., 513 Allegheny Street, Hollidaysburg, PA 16648 ; Texas – Secretary of State, PO Box 12079, James E. Rudder Building, 1019 Brazos, Room 105, Austin, TX 78701; Virginia – Clerk of the State Corporation Commission, 1300 East Main Street, Richmond, VA 23219; and West Virginia – Secretary of State, Bldg. 1, Suite 157-K, 1900 Kanawha Boulevard, East, Charleston, WV 25305.

**MEADOWS ORIGINAL FROZEN CUSTARD SYSTEM.** Meadows franchises The Meadows Original Frozen Custard Stands. Meadows does not operate any custard stands, although our affiliate, The Meadows of Ebensburg, LLC currently operates a custard stand. Meadows is not engaged in any business other than offering Meadows Original Frozen Custard franchises as described in this circular.

The franchise offered under this document grants you the right to use the Meadows Original Frozen Custard System, the distinguishing features of which include the names "The Meadows" and "The Meadows Original Frozen Custard;" specially designed buildings, fixtures, equipment, containers and other items used in serving and dispensing food products; signs, emblems, trade names, trademarks, and service marks; distinctive food products (including frozen custard and frozen yogurt) and the formulas and quality standards for those food products; and instructional materials and training courses.

The market for the goods and services of a Meadows custard stand includes all locations from which frozen custard, frozen yogurt and related food products could be served. The Meadows custard stands represent only a small percentage of the highly competitive food service industry. They compete with a number of national, regional, local and independent restaurants. Each custard stand's ability to compete is dependent upon its overhead, neighborhood location, accessibility, individual service, merchandising and advertising programs.

The laws and regulations that may apply to your Meadows custard stand ("Custard Stand") are those that apply to the food service industry generally, including sanitation and health department laws and regulations and food handling storage laws and regulations.

Meadows has been offering franchises since April 1987. Our predecessor opened its first custard stand in 1950, and that location has been in operation since that date. As of January 2025, there were twenty-eight (28) franchised Meadows Original Frozen Custard stands in the United States (all on the east coast) and one in Canberra, Australia.

Our predecessor did not offer franchises. Neither we nor our predecessor nor our affiliates have offered franchises in any other lines of business.

**ITEM 2**

**BUSINESS EXPERIENCE**

**DIRECTOR AND PRESIDENT: STEVEN D. GARDNER**

Steven Gardner has been a Director and the Secretary of Meadows since January 2003. In November of 2012 he was appointed President of Meadows. He has been involved in the opening of all Meadows locations since 2003. Steven has a B.S. in Marketing from the Pennsylvania State University.

**ITEM 3**

**LITIGATION**

No litigation is required to be disclosed in this item.

**ITEM 4**

**BANKRUPTCY**

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

**ITEM 5**

**INITIAL FEES**

You pay an Initial Franchise Fee of \$25,000. The Initial Franchise Fee is uniform for all franchisees. You pay a deposit of \$5,000 when you sign the Option Agreement and you pay the balance of the Initial Franchise Fee when you sign the Franchise Agreement. If an existing franchisee wishes to open an additional custard stand and does not require franchise training, the franchise fee for the additional custard stand will be reduced to \$15,000.

If the Option Agreement is terminated before we approve your site request, we may retain \$2,000 of the deposit and return the remainder of the deposit to you (after you comply with your obligations under the Option Agreement following termination). However, if the Option Agreement is terminated and you opened or operated a custard stand prior to our execution and delivery of a Franchise Agreement to you, we may retain the entire deposit. If the Option Agreement is terminated after our approval of a site, regardless of the reason for termination, we may retain the entire deposit. Once you have signed the Franchise Agreement, the Initial Franchise Fee is not refundable.

**ITEM 6**

**OTHER FEES**

<b>TYPE OF FEE</b> [See Note (1)]	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
<b>National Advertising Program</b>	1% of Gross Sales [See Note (2)]	If we determine that a National Advertising Program is merited, the fee will be payable monthly on the 10th day of the month for the preceding month.	See Note (3)

TYPE OF FEE [See Note (1)]	AMOUNT	DUE DATE	REMARKS
<b>Regional Advertising and Sales Cooperative</b>	Not to exceed 3% of Gross Sales	If Company determines a Regional Co-op is merited, the fee will be payable monthly on the 10th day of the month for the preceding month.	See Note (4)
<b>Local Advertising Fee</b>	2% of Gross Sales - 1% of Gross Sales if you contribute to a Regional Co-op		This fee is not paid to Meadows, although local advertising materials sometimes may be purchased from Meadows (see Item 11).
<b>Transfer of Franchise</b>	\$5,000	Prior to consummation of transfer.	This fee reimburses us for the legal and other expenses incurred in connection with the transfer.
<b>Renewal Fee</b>	\$5,000	Prior to Renewal.	
<b>Additional Training</b>	\$50 per day	Prior to commencement of training.	
<b>Audit</b>	<p>Deficiencies in fees and advertising contribution plus interest.</p> <p>If the understatement is more than 2% of Royalty fees paid by Franchisee and/or 2% of the Contribution to Advertising paid by Franchisee (if required), for the audit period, you also must pay the reasonable costs and expenses of the audit.</p>	Promptly upon finding of deficiency.	The interest rate is the same as the interest rate for late payments.
<b>Interest</b>	The higher of the rate of 10% per year, 2 points above the Prime Rate as reported by <i>The Wall Street Journal</i> , on the first day of each calendar quarter, or such lower	When any payment is overdue.	

TYPE OF FEE [See Note (1)]	AMOUNT	DUE DATE	REMARKS
	rate as required by law.		
<b>Indemnification</b>	The losses and expenses incurred by Meadows.	On demand, if required.	You must indemnify and hold harmless Meadows in all actions arising from the development or operation of your franchised Custard Stand.
<b>Collection Costs and Expenses</b>	Meadows' costs and expenses.	On demand, if required.	These costs and expenses include reasonable accountants', attorneys', attorney assistants' and expert witnesses' fees.
<b>Testing Expense</b>	Actual cost of testing.	On demand.	If you propose to purchase any items from an unapproved source, you must submit samples to us or an independent testing laboratory designated by us and pay for the actual cost of the testing.
<b>Extended Opening Assistance</b>	Travel and living costs, salaries and fringe benefits of Meadows personnel.	On demand, if required.	We pay the salary of the Franchise Consultant who will assist you in opening, although you must pay his expenses. If we determine that you need additional Meadows employees to assist you in opening, you must pay their salaries in addition to their expenses.
<b>Replacement Operating Manual</b>	\$500	On demand, if required.	If you lose the Operating Manual or it is destroyed, you must pay to obtain a new Operating Manual.

**NOTES**

- (1) Unless otherwise noted, all fees are imposed by, collected by, and payable to Meadows and are not refundable.
- (2) Gross Sales include all sales made from your Custard Stand including, but not limited to, sales of foods beverages and services and receipts from food catering. Gross Sales does not include receipts from one coin operated tobacco machine, newspaper vending machines and pay telephones, the cost of food provided to employees as an incident of employment, monies refunded upon return of merchandise, any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, nor the original price of products sold at a discounted price (in such instances, the discounted price of the products shall be used in computing Gross Sales). Gross Sales includes your net receipts from operation of any type of coin operated vending or entertainment machines, other than those listed in the preceding sentence (all of which may only be operated if permitted by Meadows).
- (3) If Meadows, in its sole discretion, determines that a National Advertising Program is merited, Meadows will notify you in writing that a National Advertising Program is being established. Beginning 90 days after you receive notice, you will pay your first monthly payment for our use in developing and continuing a National Advertising Program. These funds may be used by Meadows for any of the following: Development of advertising ideas, concepts and general plans; formulation and execution of marketing research and merchandising programs and strategies; preparation and execution of advertising strategies and campaigns; development of promotional ideas, concepts and general plans; preparation and execution of promotional strategies and campaigns; preparation and execution of collateral creative materials; writing, design, illustration, filming, editing and other preparation of advertisements; all planning, strategy, negotiation, contracting, buying, verifying, modifying and trafficking all media programs; technical and professional advice in connection with the advertising program; other advertising, promotional, public relations, administrative and related purposes; and administration of the advertising program (specifically, we may receive from the advertising program funds a fee up to 10% of all payments made to the advertising program in each calendar year to reimburse us for our administrative expenses with respect to the advertising program [see Item 11]).
- (4) Meadows may, in the sole exercise of its discretion, establish, and may also subsequently discontinue, a regional advertising and sales promotion cooperative ("Regional Co-op") for the geographic area which encompasses a franchised location. That geographic area will normally (but not always) include the land lying within the local television viewing area as outlined by the Arbitron Television Area of Dominant Influence ("ADI") or the Nielson Television Market (Designated Market Area - "DMA"). We will send you written notice of the establishment of a Regional Co-op, which will specify the commencement date of the program and the initial amount of your contribution (which will be a percentage of your Gross Sales, not to exceed 3% of Gross Sales, and which shall be uniform for all custard stands that are members of the Regional Co-op [see Item 11]).

**ITEM 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

TYPE OF EXPENDITURES	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE

TYPE OF EXPENDITURES	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$25,000	Lump Sum	\$5,000 due at execution of the Option Agreement; \$20,000 due at execution of Franchise Agreement	Meadows
Real Estate [See Note (1)]	Variable			Lessor
Leasehold Improvements, Furnishings, Equipment and Signs [See Note (2)]	\$79,000 - \$390,000	As Incurred	Before Opening	Architects, Construction Company, Supplier
Initial Inventory [See Note (3)]	\$10,000 – \$15,000	As Incurred	Before Opening	Suppliers
Opening Advertising and Promotions	\$1,000 - \$5,000	As Incurred	Before Opening	Vendors
Training Expenses	\$1,000 - \$5,000	As Incurred	During Training	Hotels and Airlines
Miscellaneous Opening Costs [See Note (4)]	\$14,000 - \$62,000	As Incurred	Before Opening	Utilities, Insurance Company, Other Suppliers
Additional Funds - Three months [See Note (5)]	\$4,000 - \$10,000	As Incurred	As Incurred	Employees, Suppliers, etc.
TOTAL [See Note (6)]	\$134,000 - \$512,000 (excluding lease and/or real estate acquisition costs)			

### **NOTES**

- (1) Meadows is unable to reasonably estimate the cost for the real estate on which your Custard Stand will be located due to the wide variance in both land costs and rents. The typical custard stand requires approximately 1500 square feet of space. Due to the investment involved in purchasing real estate, we do not recommend that you purchase the real estate on which your Custard Stand will be located. Instead, we recommend that your Custard Stand be located as an "in-line" unit in a strip center and that the premises be leased. All lease payments would be made to the landlord or such other person designated in the lease and, typically, such payments are not refundable.
- (2) This estimates the cost of the equipment, signs, fixtures, other fixed assets, construction, remodeling, leasehold improvements and decorating costs. These payments would be made to the various vendors from whom such items would be ordered or who would perform work on the leasehold improvements. You may, if you choose, purchase the equipment, signs and fixtures from us or our affiliates. The time for payment of these items will vary, however, it has been our

experience that a deposit of 20% is due on the equipment and the sign package when the order is placed. Generally, these payments are not refundable.

- (3) The total cost of the initial inventory will depend upon individual suppliers, your location, transportation costs, available supplies and similar variables. These items may be purchased from authorized suppliers (or if you choose, from us or our affiliates). Generally, these payments are not refundable.
- (4) This sum includes initial working capital, accounting and legal costs, insurance and utility deposits. These costs will vary according to the custom and cost of such items as utilities, utility deposits, insurance rates, your financial position, as well as the prevailing wage scale in the area. Utility deposits would be paid to the local utility companies and are generally refundable. Insurance premiums would be paid to an insurance company or an agent and are generally refundable on a pro rata basis. Other prepaid expenses may be paid to various local governments for permits and other licenses and their refundability will vary.
- (5) This estimates your initial start-up expenses. These expenses include payroll costs for management and other employees. These figures are estimates, and Meadows cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how closely you follow Meadows' methods and procedures; your management skill, experience and business acumen; financing costs; local economic conditions; the local market for similar ice cream and custard stands; the prevailing wage rate; competition; and the sales level reached during the initial period.
- (6) Meadows relied on its experience in the custard stand business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase a franchise.

#### **ITEM 8**

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

In order to protect and further the reputation of quality enjoyed by the Meadows Original Frozen Custard System, you must purchase the formula mixes for the frozen custard and the frozen yogurt, the frozen custard machines, cones, disposables (napkins, spoons, bowls, lids, bags, straws), add-ins (nuts, candies, toppings), syrups, and all items bearing the Meadows logo solely from suppliers that we designate. None of the suppliers is affiliated with Meadows, and none of the officers of Meadows owns an interest in any of the suppliers. Lipari Foods LLC is the only supplier for your cones, disposables (napkins, spoons, bowls, lids, bags, straws), add-ins (nuts, candies, toppings), syrups, and all items bearing the Meadows logo. Lipari Foods LLC is not affiliated with Meadows.

You may purchase other items (items other than the items listed in the previous paragraph) from any source that can supply items that meet our standards and specifications as long as the supplier is first approved by us. We maintain a list of approved supplies which we will provide to you upon request. The franchisor will approve or disapprove within 30 days alternate suppliers if the franchisee requests such approval in writing. Any such request must specify that the new supplier's products are of the same quality as original suppliers. We reserve the right to test the new goods before approval. The Franchisor also reserves the right to revoke the approval of an alternate supplier in the event that the Franchisor is reasonably satisfied that the quality of the product being supplied by new supplier is sub-standard.

In order to obtain approval of a supplier, you must give us early enough notice to permit supplier and specification verification and testing. We will not unreasonably withhold our approval as long as the supplier's item conforms to our appearance, uniformity, quality, size or portion (and, where applicable, taste) standards, and other specifications. Other than those contained in the Meadows Original Frozen Custard System Operating Manual, Meadows does not issue its standards and specifications to franchisees or approved suppliers. We may require that samples from alternate suppliers be delivered to us or to a designated independent testing laboratory for testing before approval and use. We may require



<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT (FA) AND OPTION AGREEMENT (OA)</b>	<b>FRANCHISE DISCLOSURE DOCUMENT ITEM</b>
b. Pre-opening purchases/leases	FA: Section 14 OA: Sections 4 and 6	Item 8
c. Site development and other pre-opening requirements	FA: Section 6.B. OA: Section 5	Items 6, 7, and 11
d. Initial and ongoing training	FA: Section 8 OA: Section 7	Item 11
e. Opening	FA: Sections 6.B. and 11.E.	Item 11
f. Fees	FA: Sections 3, 4.A. and 11.A.-B. OA: Sections 8 and 12	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	FA: Sections 12 and 14	Items 8 and 11
h. Trademarks and proprietary information	FA: Sections 15 and 17.B. OA: Sections 9 and 10	Items 13 and 14
i. Restrictions on products/services offered	FA: Sections 14.A., C., I.	Items 8 and 16
j. Warranty and customer service requirements	FA: Section 14	Item 11
k. Territorial development and sales quotas	FA: Section 14.F.	Item 12
l. Ongoing products/service purchases	FA: Section 14	Item 8
m. Maintenance, appearance and remodeling requirements	FA: Section 14.D.	Item 11
n. Insurance	FA: Section 19 OA: Section 15	Item 7 Item 8
o. Advertising	FA: Sections 11 and 14.J., L.	Items 6 and 11
p. Indemnification	FA: Section 29 OA: Section 14	Item 6

<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT (FA) AND OPTION AGREEMENT (OA)</b>	<b>FRANCHISE DISCLOSURE DOCUMENT ITEM</b>
q. Owner's participation/management/staffing	FA: Sections 14.H., K.	Items 11 and 15
r. Records/reports	FA: Sections 9 and 10	Item 17
s. Inspections/audits	FA: Sections 10.B., 14.B. and 17.D.	Items 6 and 11
t. Transfer	FA: Section 20 OA: Section 16	Item 17
u. Renewal	FA: Section 2.B.	Item 17
v. Post-termination obligations	FA: Sections 17.C. and 23 OA: Section 13	Item 17
w. Non-competition covenants	FA: Sections 17.A., C. and 27	Item 17
x. Dispute resolution	<b>NOT APPLICABLE</b>	Item 17

**ITEM 10**

**FINANCING**

Meadows does 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, Meadows is not required to provide you with any assistance.**

**MEADOWS' OBLIGATION PRIOR TO OPENING**

Before you open your business, we will:

1. Conduct a training program which must be satisfactorily completed by you, if you are a sole proprietorship, and by each person who is actively involved in the management or operation of your Custard Stand and, if the franchisee is a corporation or partnership, each person who has an ownership interest in the franchisee whom we request to attend (see Franchise Agreement, §§ 7.A. and 8.A.).
2. Provide you with a Meadows Original Frozen Custard System Operating Manual for your Custard Stand. We may revise the Operating Manual periodically (see Franchise Agreement, § 12.). The Operating Manual is 41 pages in length. The Operating Manual Table of Contents is attached as Exhibit B.
3. Evaluate and approve or disapprove the site approval packages you submit (see Option Agreement, § 3.).

4. Evaluate and approve or disapprove the general plans, specifications and designs for the construction of your Custard Stand (see Option Agreement, § 5.).
5. Provide you with our standards and specifications for equipment to be used in your Custard Stand (see Option Agreement, § 6.).
6. Provide you with the consultation and advice that we deem appropriate with regard to construction and operation of your Custard Stand, parking and building layouts, equipment and equipment layouts, employee selection and training, purchasing and inventory control (see Franchise Agreement § 7.B.).

#### **MEADOWS' OBLIGATION AFTER OPENING**

1. Provide one of our employees ("Franchise Consultant") to assist in the opening of your Custard Stand and in training your employees (unless training is not required when an existing franchisee opens an additional custard stand per Item 5). We will pay the salary of our Franchise Consultant while he or she is assisting in the opening of your Custard Stand and you must pay for the transportation, meals and lodging of the Franchise Consultant while he or she is assisting in the opening of your Custard Stand. If we deem necessary, in the sole exercise of our discretion, additional employees of Meadows may be called in to assist in your opening and training and will remain for whatever period of time as we, in the sole exercise of our discretion, deem necessary in order to properly open your Custard Stand and train the personnel you employ. You must pay the salaries of these additional employees (including the cost of the fringe benefits of these additional employees which the parties agree equal 20% of their salaries) while they are assisting in the opening of your Custard Stand plus the transportation, meals and lodging of these additional employees while they are assisting in the opening of your Custard Stand (see Franchise Agreement, § 7.C.).
2. Modify or change the Meadows Original Frozen Custard System, including, but not limited to the adoption and use of new or modified trademark or copyrighted materials and modification of the menu or equipment that you are required to use (see Franchise Agreement, § 5.).
3. Periodically provide advice, consultation and assistance covering your Custard Stand and the Meadows Original Frozen Custard System (see Franchise Agreement, § 7.D.).
4. Conduct periodic inspection of your Custard Stand and its operations (see Franchise Agreement, § 7.E.).
5. Establish, in our discretion, a National Advertising Program and/or a Regional Co-op Advertising Program (see Franchise Agreement, § 11.A.-B.).

We do not require that you buy or use any particular type of electronic cash register or computer system, and we are not required to provide or assist you in obtaining these items. Meadows will assist you in establishing retail prices if such assistance is desired. However, we do not set any minimum or maximum prices.

#### **ADVERTISING**

Advertising monies expensed are for design, consultation, production and/or distribution of store signage, company website, or associated services. Meadows Frozen Custard website is provided for franchisees' use at no cost to franchisee. We do not have to spend any particular amount on advertising in your area. None of our expensed advertising is used to solicit the sale of franchises. There is no franchise advertising council which advises us on advertising. There are no funded advertising accounts used by Meadows. We did not collect any advertising fees from franchisees and there was no advertising fund in the fiscal year ending November 30, 2024. If we do collect advertising fees from franchisees

and/or create an advertising fund in any future year, we will provide franchisee an accounting of the advertising fund upon request. No money is received from franchisees or vendors for advertising. No advertising is used for sales of franchises. All signage, company website, or associated services were designed "in house." All expensed advertising is for maintenance of Meadows' website and signage used by franchisee on store fronts, menu boards, and product dispensing (cones, cups, wrappers, caps, etc). All expenses incurred were for production.

At the present time, you do not have to contribute to the cost of advertising by Meadows. You must, however, advertise your Custard Stand locally, spending each month, at a minimum, 2% of the Gross Sales of your Custard Stand for local advertising and promotion. If you are contributing to a Regional Co-op, you will only have to spend each month, at a minimum, 1% of the Gross Sales of your Custard Stand for local advertising and promotion. You may purchase local advertising and promotion materials from any source, however, we must approve those advertising materials in advance. In addition to the other advertising obligations, you must conduct a Grand Opening within 90 days after the initial opening of your Custard Stand in accordance with our Grand Opening Guidelines. Any advertising fund established will be administered by the officers of The Meadows Franchise Systems, Inc. and will be audited with The Meadows Franchise Systems, Inc.'s financial statements by a certified public accountant.

Meadows may, in the sole exercise of its discretion, establish a National Advertising Program and/or a Regional Co-op advertising program. You must pay a monthly fee if either or both of the advertising programs are established. If either a National Program or a Regional Co-op is established, the custard stands operated by Meadows will contribute the same percentage amount to the advertising program as do franchisees. We will furnish you with annual reports itemizing the disposition of the National Advertising Programs funds, and we will disburse Regional Co-op funds to the Regional Co-op upon presentation of invoices for permitted advertising activities.

We may discontinue the National Advertising Program at any time. If we discontinue the National Advertising Program, any monies remaining in the program after all expenses have been paid will be returned to all custard stands contributing to the Program on a basis proportionate to the funds contributed by each during the previous 12 months.

If experience indicates that the percentage amounts to be spent or contributed for national or local advertising should be changed, we will be entitled, in our discretion, to propose such changes by notification in writing to all franchisees. If responses on behalf of 51% or more of the custard stands responding within 30 days from the date of the notice indicate that they agree with the desirability of the change, then the change will be effective; and you will be bound by the change.

Any increases in the amount of your contribution to the Regional Co-op, selection of an advertising agency and advertising spending will be determined by majority vote of the Regional Co-op in accordance with bylaws adopted by the Regional Co-op. Each operator of a custard stand (including Meadows) contributing to the Regional Co-op will be a member of the Regional Co-op and will have a number of votes equal to the number of custard stands that it operates in the geographic area comprising the Regional Co-op that contribute funds to the Regional Co-op. Meadows will always be a member of the Regional Co-op, but will not have a vote unless it operates custard stands in the geographic area comprising the Regional Co-op. If the members of the Regional Co-op cannot determine the manner in which Regional Co-op funds should be expended, Meadows, in the sole exercise of its discretion, following 30 days' advance written notice to members of the Regional Co-op, may assume this decision-making authority.

The Regional Co-op will submit annually for our approval its marketing plan with respect to kinds and amounts of advertising and media to be used. Local advertising and promotion materials may be purchased from any source, but we may require prior approval of advertising materials.

You should understand that there may never be a National Advertising Program or a Regional Co-op in your region.

## **SELECTING THE LOCATION FOR YOUR CUSTARD STAND**

We do not select the site for your Custard Stand. You select the site for your Custard Stand after you sign the Option Agreement, subject to our approval. The site must be located within a previously agreed-upon geographic area, in which you have only a non-exclusive right to look for sites. After you select the proposed site, you must prepare and submit to us a "Site Approval Package" before we will approve the proposed site. The Site Approval Package consists of a preliminary site plan (showing dimensions, building location, ingress and egress and parking layout), aerial photographs (if we request), a marked map, a demographic analysis, a financing plan, a three-year cash flow projection and whatever completed forms we designate. If you intend to remodel an existing building on the proposed site, then the Site Approval Package must also include preliminary drawings showing both the interior and exterior proposed remodeling. In deciding whether to approve a proposed site, we consider factors such as the general location and neighborhood of the proposed site, traffic patterns and size, layout and other physical characteristics of the proposed site.

We will evaluate your Site Approval Packages and respond with a written approval or disapproval within 30 days. If we disapprove all of your proposed sites, you will have an additional 30 days to submit an additional Site Approval Package. If none of the sites is approved within the time frame stated above, the Option Agreement terminates, and we retain \$2,000 of your deposit.

## **TIME BETWEEN AGREEMENT SIGNING AND THE OPENING**

Typically, you will sign the Option Agreement approximately three to six months before you open your Custard Stand. Factors affecting the length of time between the signing of the Option Agreement and the opening of your Custard Stand include arranging financing, obtaining a satisfactory site, obtaining zoning, site plan and building permit approvals, constructing the building and site improvements, obtaining and installing equipment and signs, and completing our training program.

## **TRAINING**

Our training program lasts 26 days for eight hours a day, 5 days of training before opening and 21 days after opening. As part of the training program, we provide instruction, training and practical experience with the day-to-day operation of a custard stand, including technical operation or equipment, management of employees, accounting procedures and the preparation of records and reports relating to the operation of a custard stand. Our training programs will be held at our affiliate operated custard stand located at 169 Mini Mall Rd, Ebensburg, Pa., 15931. Some training may also be offered at our predecessor's custard stand at 1391 Route 220 N. Business, Duncansville, Pa., 16635, or at The Meadows of Greensburg, 660 Mount Pleasant Street, Greensburg, PA 15601. The Operating Manual is the principal instructional manual used.

Those with management roles in your Custard Stand (you, if you are a sole proprietorship, each person who is actively involved in the management or operation of your Custard Stand, and if you are a corporation or a partnership, each person who has an ownership interest in you) whom we request to attend, must complete the initial training program to our satisfaction. We reserve the right to dismiss any person from the training program who is not performing to our satisfaction.

The training program is conducted after you sign the Option Agreement and before construction of your Custard Stand is completed, preferably at least 30 days before opening your Custard Stand. The training program is conducted periodically on an as-needed basis.

We do not maintain formal training staff. Instead, Steven D. Gardner, identified in Item 2 of this document, conducts the training program. He has been with Meadows or a predecessor for over twenty years. Other experienced employees/owners may participate in training as is necessary as assigned by

Steven Gardner.

The cost of the training program is included in the franchise fee, but you must pay all of your expenses and those of your personnel who take part in any training program or programs. We do not compensate you or your employees during training.

The following chart summarizes the subjects taught during the initial training program:

**TRAINING PROGRAM**

SUBJECT	HOURS OF CLASSROOM TRAINING	HOUR OF ON-THE-JOB TRAINING	LOCATION
Inventory	0	24	OPERATING FRANCHISE/OWN SITE
Operating Procedures	1	120	OPERATING FRANCHISE/OWN SITE
Sanitation	1	24	OPERATING FRANCHISE/OWN SITE
Record Keeping	0	12	OPERATING FRANCHISE/OWN SITE
Employee Relations	1	0	OWN SITE
Customer Relations	1	24	OPERATING FRANCHISE/OWN SITE

We may offer advanced training programs which will be mandatory for those persons for whom initial training is required. This additional training may be at times and places we reasonably designate. The duration and content of these programs will vary depending upon the type of additional training to be given. In addition, if the sales at your Custard Stand rank consistently (i.e., for six or more consecutive months of operation) in the bottom 25% of similarly situated custard stands, we may require the management of your Custard Stand to again complete our then-current initial training program. No charge will be made for the training programs, but you must pay all travel, living and other expenses of you and those of your personnel who take part in the programs.

**ITEM 12**

**TERRITORY**

You will receive an exclusive territory. The boundaries of the exclusive territory will be determined by Meadows prior to finalization of the Franchise Agreement. The size of your exclusive territory will depend on the demographics prevailing in the area in which your Custard Stand is located. You will operate from one location and must receive permission from Meadows before relocating. Meadows will not operate a custard stand or grant franchises for a similar or competitive business within your area.

You are not restricted from selling Meadows products and services to customers residing outside your territory. Except when advertising cooperatively with appropriate franchisees, you are restricted from advertising outside your territory without prior written consent. You may not engage in any mail order solicitations, telemarketing, or television solicitation programs or use any other advertising media outside of your territory without prior written approval.

Meadows retains the right, in its sole discretion, to offer goods and services identified by brands we control through channels of distribution other than through Meadows custard stands to locations and customers located anywhere, including those residing in your territory. Meadows also reserves the right to sell goods through mail order, telemarketing, internet, television, newspaper, and any other advertising media to consumers located anywhere, including within your territory.

You may solicit and accept orders from outside your territory using the internet and/or any current technology, and Meadows and/or other franchisees may solicit and accept orders from inside your territory using the internet and/or any current technology. Meadows will not pay you any compensation relating to Meadows and/or other franchisees soliciting and accepting orders from inside your territory.

You do not receive the right to acquire additional franchises within your area. Meadows is not under any obligation to permit you to open additional custard stands inside or outside of your territory. If you wish to open an additional custard stand, Meadows will be happy to discuss that with you.

You are permitted to relocate your franchise business within your exclusive territory.

There is no minimum sales quota.

Neither Meadows nor any affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark that will sell goods or services that are the same as or similar to those that the franchisee will sell.

### **ITEM 13**

#### **TRADEMARKS**

Meadows grants you the right to operate a franchised Meadows custard stand under the name THE MEADOWS ORIGINAL FROZEN CUSTARD and to use our other current or future trademarks in the operation of your Custard Stand. By "trademarks," we mean trade names, trademarks, service marks and logos used to identify your Custard Stand.

Meadows has registered the following principal trademark with the United States Patent and Trademark Office on the Principal Register, and all required affidavits of continuing use have been filed and accepted:

THE MEADOWS ORIGINAL FROZEN CUSTARD trademark renewal was accepted on July 2, 2020.

<b>TRADEMARK</b>	<b>REGISTRATION NO.</b>	<b>REGISTRATION DATE</b>
THE MEADOWS ORIGINAL FROZEN CUSTARD	1,593,224	04/24/90

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any pending state or any court, pending infringement, opposition or cancellation proceedings or any pending material

litigation involving the principal trademarks. Meadows is not aware of any infringing uses that could materially affect your use of the trademarks. There are no agreements currently in effect that limit the rights of Meadows to use or license the use of the trademarks.

You must promptly inform us in writing of any infringement of the Meadows trademarks. You may not make any demand or serve any notice, orally or in writing, or institute any legal action or negotiate, compromise, or settle any controversy with respect to any infringement without first obtaining our written consent. We have the right to bring whatever action to take whatever steps as we deem advisable to prevent any infringement of our trademarks and to join you as a party to any action in which you are or may be a party and as to which you are or would be a necessary or proper party. You also must promptly notify us of any litigation, including administrative or arbitration proceedings, instituted against Meadows or you relating to our trademarks. You must execute any documents and render whatever assistance as may, in the opinion of our counsel, be reasonably necessary to carry out the defense or prosecution of any litigation (which we undertake) relating to our trademarks.

#### **ITEM 14**

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

Meadows does not own any patents that are material to your franchised Custard Stand or the Meadows System, although we claim a trade secret in our formula mixes. Meadows claims copyright ownership in the Operating Manual and all other confidential printed, audio and audiovisual materials related to the Meadows System, although we have not filed applications to register our copyrights. The Manuals and these other materials contain Meadows detailed standards and specifications for managing and operating your Custard Stand. For example, the Operating Manual describes the menu items, the prices and equipment requirements and maintenance.

The Manuals and all other materials and information provided or disclosed to you regarding the Meadows System are disclosed in confidence. You may not disclose any part of this information to anyone who is not your employee, and you will disclose to your employees only those parts of the Meadows System that an employee needs to know. You also must agree not to contest Meadows interest in the trade secrets and confidential and proprietary information that comprises the Meadows System.

The Meadows Franchise Systems, Inc. currently have no pending patent applications that are material to the franchise.

#### **ITEM 15**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

A designated individual must devote his or her personal best and continuing efforts on a full-time basis to fully promote and develop your Custard Stand. This designated individual must avoid activities that would conflict or interfere with or be detrimental to this purpose, including, but not limited to outside employment or involvement in other business enterprises that would prevent him or her from devoting 40 hours per week to your Custard Stand and other custard stands operated by you during the season they are open for business. The designated individual is not required to complete our training program. This designated individual must be you, if you are an individual. If you are a corporation, he or she must own at least a 5% equity interest and act as a principal operating officer. If you are a partnership, he or she must be a general partner. You and the designated individual, if any, must abide by the confidentiality and non-competition provisions of the Franchise Agreement discussed in Item 17, i., q. and of this disclosure document. You need not sign a separate confidentiality agreement or separate non-competition agreement. The franchisee(s) and the franchisee's(franchisees') spouse(s) must sign the Guarantee attached to this Disclosure Document as Exhibit C.1a. If the franchisee is a corporation or other entity, the franchisee's owners and their spouses must sign the Guarantee.

**ITEM 16**

**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may sell only those menu items that we specify or consent to and which are prepared and served in accordance with our specifications. You must follow all of our specifications and formulas as to contents and weight of unit products served and sell no other food or drink items or any other merchandise of any other kind without our prior written approval. You may not permit alcoholic beverages to be served nor gambling to take place at your Custard Stand. In addition, your franchised Custard Stand must be operated in accordance with the terms of the Franchise Agreement and the Operating Manual.

Meadows reserves the right to change the types of authorized goods and services to be offered at the franchised location without limitation. Written notification will be made available to franchisee at least 60 days prior to the effective date of the change.

These restrictions are not conditioned on your meeting defined sales efforts or results. We do not limit the customers to whom you may sell goods (see Item 8).

**ITEM 17**

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

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

**THE FRANCHISE RELATIONSHIP**

**OPTION AGREEMENT**

<b>PROVISION</b>	<b>SECTION IN OPTION AGREEMENT</b>	<b>SUMMARY</b>
a. Term of the franchise	NOT APPLICABLE	NOT APPLICABLE
b. Renewal or extension of the term	NOT APPLICABLE	NOT APPLICABLE
c. Requirements for you to renew or extend	NOT APPLICABLE	NOT APPLICABLE
d. Termination by you	NOT APPLICABLE	NOT APPLICABLE
e. Termination by Meadows without cause	NOT APPLICABLE	NOT APPLICABLE
f. Termination by Meadows with cause	Sections 3 and 11	Meadows may terminate upon default or if all of your proposed site approval packages are disapproved.
g. "Cause" defined - defaults which can be cured	NOT APPLICABLE	NOT APPLICABLE

<b>PROVISION</b>	<b>SECTION IN OPTION AGREEMENT</b>	<b>SUMMARY</b>
h. "Cause" defined - defaults which cannot be cured	Sections 10 and 11	Non-curable defaults include operation of your Custard Stand before delivering the executed franchise agreement to us and failure to meet any time deadlines.
i. Your obligations on termination/non-renewal	Section 13	Obligations include return of all materials and information furnished by Meadows, the de-identification of site which has been partially or fully constructed or remodeled, continued observance of confidentiality/non-competition restrictions.
j. Assignment of contract by Meadows	NOT APPLICABLE	NOT APPLICABLE
k. "Transfer" by you - definition	NOT APPLICABLE	NOT APPLICABLE
l. Meadows' approval of transfer by franchisee	NOT APPLICABLE	NOT APPLICABLE
m. Condition for Meadows' approval of transfer	NOT APPLICABLE	NOT APPLICABLE
n. Meadows' right of first refusal to acquire your business	NOT APPLICABLE	NOT APPLICABLE
o. Meadows' option to purchase your business	NOT APPLICABLE	NOT APPLICABLE
p. Your death or disability	NOT APPLICABLE	NOT APPLICABLE
q. Non-competition covenants during the term of the franchise	NOT APPLICABLE	NOT APPLICABLE
r. Non-competition covenants after the franchise is terminated or expires	Section 13.C.	You may not do business under any name or in any manner that might give the impression that you are connected with Meadows, nor help anyone else do the same.
s. Modification of the agreement	NOT APPLICABLE	NOT APPLICABLE

<b>PROVISION</b>	<b>SECTION IN OPTION AGREEMENT</b>	<b>SUMMARY</b>
t. Integration/merger clause	NOT APPLICABLE	NOT APPLICABLE
u. Dispute resolution by arbitration or mediation	NOT APPLICABLE	NOT APPLICABLE
v. Choice of forum	NOT APPLICABLE	NOT APPLICABLE
w. Choice of law	NOT APPLICABLE	NOT APPLICABLE

## **THE FRANCHISE RELATIONSHIP**

### **FRANCHISE AGREEMENT**

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
a. Term of Franchise	Section 2.A.	Ten years from the date your Custard Stand opens.
b. Renewal or extension of the term	Section 2.B.	If you are in good standing and have complied with certain other conditions, you may add an additional term of ten years.
c. Requirements for you to renew or extend	Section 2.B.	Give timely notice of intent to renew, not be in default, have subsequently complied with all agreements, sign a new agreement, pay a renewal fee, remodel and sign a release [See Note (1)].
d. Termination by you	Section 22	You may terminate the franchise without cause after giving notice, executing a release and complying with the obligations listed in i.
e. Termination by Meadows without cause	NOT APPLICABLE	NOT APPLICABLE
f. Termination by Meadows with cause	Section 21	We may terminate upon default.
g. "Cause" defined - defaults which can be cured	Section 21.C., D.	You have ten days to cure nonpayment of fees and any other defaults not discussed in

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		h. and 30 days to cure non-monetary defaults. If you have lost possession of your franchised location through no fault of your own, you may be able to open another custard stand within your territory if you meet certain conditions (see Item 12).
h. "Cause" defined - defaults which cannot be cured	Section 21.A., B.	Non-curable defaults: failure to cure any default within prescribed period, third default within a 12-month period, closure of Custard Stand for more than five days, insolvency, bankruptcy failure on three consecutive inspections, transfer without approval, falsification of reports, felony convictions, uncured defaults under other agreements, discovery of second alteration of formula mix, loss of possession of franchised location through your fault.
i. Your obligations on termination/non-renewal	Sections 17.C., 23 and 27	Obligations include: payment of amounts due, continued observance of the confidentiality/non-competition restrictions, return of manuals, complete de-identification.
j. Assignment of contract by Meadows	Section 20.A.	There are no restrictions on Meadows' right to assign.
k. "Transfer" by you - definition	Section 20.B. [See Note (1)]	Includes sale or assignment of an interest in you or the franchise.
l. Meadows' approval of transfer by franchisee	Section 20.B.	Meadows has the right to approve transfers.
m. Conditions for Meadows' approval of transfer	Section 20.B. [See Note (2)]	Conditions include: offer of first refusal to Meadows, new franchisee qualified, agreement signed, payment of amounts due, release signed, training completed, transfer fee paid.
n. Meadows' right of first refusal to acquire your business	Section 25	Meadows may match any offer for your business and if any offer is made to purchase a

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		portion of your interest, may purchase your entire business for a proportionate amount.
o. Meadows' option to purchase your business	Section 26	Meadows may purchase the franchised business at a price agreed upon or set by appraisers.
p. Your death or disability	Section 20.D.	Transfer of interest is allowed.
q. Non-competition covenants during the term of the franchise	Section 17.A.	No involvement in any business which is materially similar to your Custard Stand or which sells frozen custard.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.C.	No involvement in any business which is materially similar to your Custard Stand or which sells frozen custard for 24 months within ten miles of your Custard Stand.
s. Modification of the agreement	Section 30	No modification generally without signed agreement, but Meadows may modify the Meadows System and the Manuals.
t. Integration/merge clause	Section 30	Only the terms of the agreement and its attachments are binding. Any other oral promises related to the subject of the agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	NOT APPLICABLE	NOT APPLICABLE
v. Choice of forum	Section 32	All suits relating to this agreement must be brought in the state or federal courts for Blair County, Pennsylvania.
w. Choice of law	Section 32	Pennsylvania law governs the agreement.

#### **NOTES**

- (1) The provision in the franchise agreement which provides for termination upon bankruptcy of the franchise may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

**ITEM 18**

**PUBLIC FIGURES**

Meadows does not currently use any public figures to promote its franchise system.

**ITEM 19**

**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Steven Gardner 310 Penn Street, Suite 300, Hollidaysburg, Pennsylvania, 16648, 866-868-2954, the Federal Trade Commission, and the appropriate state regulatory agencies as listed in Exhibit A.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**SYSTEMWIDE OUTLET SUMMARY  
FOR FISCAL YEARS 2022 TO 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	24	24	0
	2023	24	26	+2
	2024	26	29	+3
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	24	24	0
	2023	24	26	+2
	2024	26	29	+3

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN THE FRANCHISOR)  
FOR FISCAL YEARS 2022 TO 2024**

State	Year	Number of Transfers
Pennsylvania	2022	1
	2023	2
	2024	0
Georgia	2022	0
	2023	1
	2024	0
Totals	2022	1
	2023	3
	2024	0

**STATUS OF FRANCHISE OUTLETS  
FOR FISCAL YEARS 2022 TO 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
PA	2022	17	0	0	0	0	0	17
	2023	17	1	0	0	0	0	18
	2024	18	1	0	0	0	0	19
MD	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MA	2022	0	0	0	0	0	0	0

	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
NJ	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
VA	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
NC	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
GA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
TX	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
TOTAL US OUTLETS	2022	23	0	0	0	0	0	23
	2023	23	3	0	0	0	1	25
	2024	25	3	0	0	0	0	28
AUSTRALIA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
GLOBAL OUTLETS	2022	24	0	0	0	0	0	24
	2023	24	3	0	0	0	1	26

	2024	26	3	0	0	0	0	29
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**STATUS OF COMPANY-OWNED OUTLETS  
FOR FISCAL YEARS 2022 TO 2024**

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
PA	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
MD	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
VA	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

**PROJECTED OPENINGS FOR NEXT FISCAL YEAR  
AS OF NOVEMBER 30, 2024**

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
MA	0	0	0
NC	0	0	0
PA	0	2	0
TX	0	0	0
VA	0	1	0
Totals	0	0	0

**CURRENT FRANCHISEES AS OF NOVEMBER 30, 2024**

Australia

Suresh Pandey  
127/3 Clair Burton Crescent  
Canberra, ACT, Australia  
+61-405-612-660

## United States

### GEORGIA

Joseph Vesnesky  
715 Gateway Center Blvd  
Grovetown, GA 30813  
(706) 432-9375

### MARYLAND

Jainan Yang  
6470 Freetown Road  
Columbia MD 21044  
443-296-6100

Tim Illig  
222 E. Oak Ridge Dr.  
Hagerstown MD 21740  
301-790-2400

### MASSACHUSETTS

Teri Almeida  
3 Park Street  
Unit 1  
Rehoboth, MA 02769  
(508) 954-7164

### NORTH CAROLINA

Michael Gehosky  
1801 Weeksville Road  
Elizabeth City, NC 27909  
252-621-1144

### PENNSYLVANIA

Kirk & April Kissell  
Pleasant Valley Blvd  
Altoona PA 16603  
814-946-8784

Mike Swartzwelder  
9613 Lincoln Highway  
Bedford PA 15522  
814-623-1200

Anthony Nori  
1634 Lincoln Way East  
Chambersburg PA 17201  
717-264-5591

Hope Mays  
22671 RT 68  
Clarion PA 16214  
814-226-6677

Susan Carns  
14319 Clearfield-Shawville RD  
Clearfield PA 16830  
814-765-8340

Meadows Brothers  
Old Rt 220  
Duncansville PA 16635  
814-695-0035

Andrew & Jennifer Klark  
32 Hoover St  
DuBois PA 15801  
814-371-1556

Daniel Gardner  
169 Mini Mall Road  
Ebensburg PA 15931  
814-472-2003

Robert Derito  
660 Mount Pleasant St  
Greensburg PA 15601  
724-850-7020

Todd Gelbaugh  
4636 Jonestown RD  
Harrisburg PA 17109  
717-412-4095

Vincent Finochio  
Route 22  
Huntingdon PA 16652  
814-643-6350

Rob & Tracie Clark  
4329 Northern Pike  
Monroeville, PA 15146  
(412) 349-8093

Joe/Jodi Bier  
1994 Oakland Ave  
Indiana PA 15701  
(724) 463-1117

Bill Beckner  
1111 Scalp Avenue  
Johnstown PA 15904  
(814) 266-6171

Joe/Jodi Bier  
22089 Perry Highway  
Cranberry Twnshp, PA 16063  
724-473-4065

Michael Nassif  
1075 Harrisburg Pike #112  
Carlisle, PA 17013  
(717)-762-1300

Rachael & Nathaniel Jackson  
8296 US-22  
New Alexandria, PA 15670  
(724) 668-5118

Robert Huemme  
2700 Sharky's Drive  
Latrobe, PA 15650  
724-879-8399

Seth & BeLinda Confer  
2934 Benner Pike  
Bellefonte, PA 16823

TEXAS

John Kodosky  
14108 Bandera Road  
Helotes, TX 78023  
210-233-6806

VIRGINIA

Michael Nassif  
20548 Easthampton Plaza  
Ashburn, VA 20147  
703-858-0400

Dalton McDonald  
1222 Richmond RD  
Williamsburg, VA 23185  
(757) 206-1457

Donald McDonald  
2902 Kilgore Avenue  
Hampton, VA 23666  
(757) 201-9300

**FRANCHISEES WHO VOLUNTARILY OR INVOLUNTARILY  
CEASED TO DO BUSINESS DURING THE PAST FISCAL YEAR**

NONE

**FRANCHISEES WHO HAD AN OUTLET TERMINATED,  
CANCELED, OR NOT RENEWED DURING THE PAST FISCAL YEAR**

NONE

**FRANCHISEES WHO HAVE NOT COMMUNICATED WITH FRANCHISOR  
WITHIN 10 WEEKS OF THE ISSUANCE DATE OF THIS FRANCHISE DISCLOSURE DOCUMENT**

Jainan Yang  
6470 Freetown Road  
Columbia MD 21044  
443-296-6100

**FRANCHISEES WHO HAVE TRANSFERRED A FRANCHISE  
BUSINESS TO A NEW OWNER DURING THE PAST FISCAL YEAR**

NONE

**FRANCHISEES WHO HAVE SIGNED A FRANCHISE  
AGREEMENT BUT NOT YET OPENED AN OUTLET AS OF NOVEMBER 30, 2024**

NONE

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

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system.

There are no known trademark specific franchisee associations that we sponsor or that have requested to be included in this Franchise Disclosure Document.

**ITEM 21**

**FINANCIAL STATEMENTS**

Attached as Exhibit D are Meadows' audited financial statements for the fiscal years ending November 30, 2022, November 30, 2023, and November 30, 2024. Financial statements for December 1, 2023 through September 30, 2024 are unaudited and are marked as such.

**ITEM 22**

**CONTRACTS**

The following agreements related to a Meadows custard stand are attached as Exhibits to this Disclosure Document:

- C.1. Meadows Option Agreement
- C.1a. Guarantee
- C.2. Meadows Franchise Agreement
- C.3. General Release

**ITEM 23**

**RECEIPTS**

The last two pages of this Disclosure Document are detachable receipt pages. Please sign and date each of them as of the date you received this Disclosure Document and return one copy to Meadows.

**EXHIBIT A**

**LIST OF STATE ADMINISTRATORS**

## LIST OF STATE ADMINISTRATORS

### **CALIFORNIA:**

Department of Corporations

#### **Los Angeles**

320 West Fourth Street, Suite 750  
Los Angeles, CA 90013-1105  
(213) 576-7500

#### **Sacramento**

980 Ninth Street, Suite 500  
Sacramento, CA 95814-2725  
(916) 445-7205

#### **San Diego**

1350 Front Street, Room 2034  
San Diego, CA 92101-3697  
(619) 525-4233

#### **San Francisco**

1390 Market Street, Suite 810  
San Francisco, CA 94102-5303  
(415) 557-3787

### **HAWAII:**

Russell H. Yamashita  
Commissioner of Securities  
1010 Richards Street  
Honolulu, HI 96813  
(808) 586-2722

### **ILLINOIS:**

James E. Ryan  
Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706  
(217) 782-4465

### **INDIANA:**

Bradley W. Skolnick  
Securities Commissioner  
Securities Division  
302 West Washington Street, Room E-111  
Indianapolis, IN 46204  
(317) 232-6681

### **MARYLAND:**

Office of the Attorney General  
Division of Securities  
200 St. Paul Place  
Baltimore, MD 21202-2020  
(410) 576-6360

### **MICHIGAN:**

Marilyn McEwen  
Franchise Administrator  
Consumer Protection Division  
Antitrust and Franchise Unit  
Department of Attorney General  
670 Law Building  
525 West Ottawa Street  
Lansing, MI 48913  
(517) 373-7117

### **MINNESOTA:**

Patrick L. Nelson  
Deputy Commissioner  
Department of Commerce  
133 East Seventh Street  
St. Paul, MN 55101  
(612) 296-4026

### **NEW YORK:**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty St. 21<sup>st</sup> Fl  
New York, NY 10005  
(212) 416-8222

### **NORTH DAKOTA:**

Diane Lillis  
Franchise Examiner  
Office of Securities Commissioner  
State Capitol, Fifth Floor  
600 East Boulevard  
Bismarck, ND 58505-0510  
(701) 328-2910

**OREGON:**

Cecil Monroe  
Department of Consumer and Business  
Services  
Division of Finance and Corporate Securities  
21 Labor and Industries Building  
Salem, OR 97310  
(503) 378-4387

**RHODE ISLAND:**

Maria G'Allessandro Piccirilli  
Associate Director and  
Superintendent of Securities  
Securities Division  
233 Richmond Street, Suite 232  
Providence, RI 02903-4232  
(401) 222-3048

**SOUTH DAKOTA:**

Joe Bjerke  
Franchise Administrator  
Division of Securities  
c/o 118 West Capitol  
Pierre, SD 57501  
(605) 773-4013

**VIRGINIA:**

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, Ninth Floor  
Richmond, VA 23219  
(804) 371-9051

**WASHINGTON:**

Deborah R. Bortner  
Securities Administrator  
Department of Financial Institutions  
Securities Division  
Post Office Box 9033  
Olympia, WA 98507-9033  
(360) 902-8760

**WISCONSIN:**

James R. Fischer  
Franchise Administrator  
Department of Financial Institutions  
Division of Securities  
345 West Washington Avenue, Fourth Floor  
Post Office Box 1768  
Madison, WI 53701  
(608) 266-8559

**EXHIBIT B**

**OPERATING MANUAL TABLE OF CONTENTS**

**MEADOWS ORIGINAL FROZEN CUSTARD OPERATING MANUAL**

**TABLE OF CONTENTS**

	PAGE
Machine Preparation .....	1
Frozen Custard/Yogurt Preparation .....	1
Making Each of Our Products .....	2
Cleaning .....	4
Inventory Control .....	4
Daily Cash Intake .....	4
Scheduling.....	4
The Meadows Original Frozen Custard Flavoring List.....	5
Supplier Inventory Control.....	7
Gallikers Inventory Control.....	11
Employee Scheduling Sheet.....	12
Cake Order Form .....	13
Daily Cash Reconciliation Worksheet.....	14
Every Morning.....	15
At Night–Crew .....	16
At Night–Manager .....	17
Frozen Dessert Machine Cleaning and Handling Procedure.....	18
Three Golden Rules .....	19
Employee Evaluation Sheet.....	20
Discipline Warning Sheet .....	21
Employment Application.....	22
References Sheet .....	23
Acceptable Documents Listing.....	24
Form W-4 .....	25
Employment Eligibility Verification .....	27
Employment Confidentiality Agreement.....	29
Customer Service/Product Portion.....	33
Chain of Command/Employee Duties.....	35
Discipline .....	39
Sexual Harassment Policy .....	40
Read and Understood Sign Off Sheet .....	41

A copy of the Meadows Original Frozen Custard Operations Manual may be obtained for review before paying or signing any agreements with the Meadows.

**EXHIBIT C.1**

**OPTION AGREEMENT**

**THE MEADOWS ORIGINAL FROZEN CUSTARD OPTION AGREEMENT**

THIS OPTION AGREEMENT ("Agreement") is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_\_\_, by and between THE MEADOWS FRANCHISE SYSTEMS, INC., a Pennsylvania corporation, whose address is 310 Penn Street, Suite 300, Hollidaysburg, PA, 16648 and \_\_\_\_\_, a limited liability company/corporation/partnership organized under the laws of the State of \_\_\_\_\_ [or (an) individual(s) residing in the State of \_\_\_\_\_, whose address is \_\_\_\_\_], \_\_\_\_\_ ("Optionee").

WITNESSETH:

WHEREAS, Optionee has applied to Meadows for a franchise to operate one franchised The Meadows Original Frozen Custard Stand ("Custard Stand"); and

WHEREAS, Optionee has been tentatively approved by Meadows to be granted a franchise to operate a Custard Stand, subject to Optionee's selection, and Meadows' approval, of a site for such Custard Stand and subject to compliance by Optionee with the other terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the sum of Five Thousand Dollars (\$5,000.00) ("Deposit") paid by Optionee to Meadows and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. **Grant of Option.**

Meadows hereby grants to Optionee the right ("Option") to enter into the Meadows Original Frozen Custard Unit Franchise Agreement ("Franchise Agreement"), in the form attached hereto as Exhibit A for the operation of a Custard Stand at the site to be determined in accordance with Sections 2, 3 and 4 hereof. The foregoing option is expressly conditioned on (a) Optionee timely complying with all of the terms and conditions of this Agreement to be performed on the part of Optionee; and (b) Optionee being current on all obligations to Meadows under all other agreements to which they may both be parties, both at the time of execution of this Agreement and Meadows' execution of the Franchise Agreement (in accordance with Section 8 hereof).

2. **Submission of Site Request.**

Optionee shall submit to Meadows in writing a request for approval of a proposed site or alternative sites in the Site Area designated below on or before the Site Submission Date designated below:

Site Area

Site Submission Date

Optionee understands that it does not have any exclusive right to look for sites within the Site Area and that Meadows and its franchisees and other optionees may concurrently with Optionee be looking for sites within the Site Area.

Each site request submitted shall include a "Site Approval Package," consisting of a preliminary site plan (showing dimensions, building location, ingress and egress and parking layout), aerial photographs (if requested by Meadows), a marked map, a demographic analysis, a financing plan, a three-year cash flow projection and such completed forms as designated by Meadows. In the event Optionee intends to remodel an existing building on the proposed site, then the Site Approval Package shall include, in addition to the above, preliminary drawings showing both the interior and exterior proposed remodeling.

3. **Effect of Approval or Disapproval of Site Approval Package**

Meadows shall evaluate each Site Approval Package and shall notify Optionee in writing of approval or disapproval within a reasonable period of time after Optionee's submission of a complete Site Approval Package. If all of Optionee's Site Approval Packages submitted on or before the Site Submission Date are disapproved, Optionee shall have an additional thirty (30) days after written disapproval of the last Site Approval Package within which to submit to Meadows an additional Site Approval Package for a site within the Site Area. If all of the foregoing Site Approval Packages are timely and properly made, but are disapproved, this Option Agreement shall terminate and the Deposit shall be disbursed as provided in Section 12. If more than one of the Optionee's Site Approval Packages are approved, Optionee shall, within fifteen (15) days of such approval, notify Meadows of Optionee's choice of one among the approved sites and that site shall be deemed Optionee's only approved site. (The approved site selected by Optionee shall hereinafter be called the "Franchised Location.")

In the event Meadows approves any one or more of Optionee's Site Approval Packages, with respect to such approved site(s), Optionee understands and acknowledges that (a) Meadows makes no express or implied warranties or representations that Optionee will achieve any degree of success in the operation of the Custard Stand at any approved site(s); (b) while Meadows will provide Optionee with training, advice and consultation, success in the operation of the Custard Stand depends ultimately on Optionee and on other factors including, but not limited to, marketing, regional tastes and preferences, economic conditions, financial considerations and competition; (c) the site approval and other criteria used by Meadows in determining whether to approve a site for a Custard Stand are for Meadow's benefit only; and (d) the approval of one site (or several sites) over another site (or several other sites) does not necessarily reflect a judgment by Meadows that the sales volume(s) at the approved site(s) will be better than the sale(s) volume(s) at the site(s) not approved.

4. **Control of the Franchised Location.**

On or before \_\_\_\_\_, Optionee shall furnish Meadows proof in writing that Optionee owns or has leased the Franchised Location, subject only to the obtaining of any necessary site plan approval(s), special exception(s), zoning variance(s), use permit(s) and building permit(s) (collectively "Building Permits).

5. **Obtaining of Building Permits and Construction of Custard Stand in Accordance with Plans and Specifications.**

On or before the earlier of \_\_\_\_\_ or \_\_\_\_\_ days after Optionee has provided written evidence of control of the Franchised Location, Optionee shall have submitted to Meadows for its written approval Optionee's general plans, specifications and designs ("Plans and Specs") for construction of the Custard Stand.

On or before the earlier of \_\_\_\_\_ or \_\_\_\_\_ days after Meadows has approved Optionee's Plans and Specs, Optionee shall have furnished Meadows with written evidence that Optionee has secured any necessary Building Permits for construction of the Custard Stand on the Franchised

Location.

On or before the earlier of \_\_\_\_\_ or \_\_\_\_\_ days after Optionee has provided evidence of Building Permits, Optionee shall have commenced construction of the Custard Stand. Optionee shall promptly thereafter notify Meadows of the date Optionee commences such construction. Optionee shall also provide Meadows written notice, no more than thirty (30) days in advance, of the date Optionee proposes to open the Custard Stand.

On or before the earlier of \_\_\_\_\_ or \_\_\_\_\_ days after Optionee has commenced construction, Optionee shall have substantially completed construction of the Custard Stand strictly in accordance with the approval Plans and Specs and with the provisions of Section 6 of attached Exhibit A and shall have provided Meadows with a written certificate satisfactory to Meadows signed by Optionee stating that the Custard Stand has been substantially completed strictly in accordance with the provisions of this Section 5.

6. **Purchase or Lease of Equipment.**

Optionee acknowledges receipt from Meadows of standards and specifications for equipment to be utilized in the Custard Stand. On or before the earlier of \_\_\_\_\_ or \_\_\_\_\_ days prior to the completion of construction, Optionee shall have furnished Meadows with written proof that Optionee has ordered, purchased, or leased equipment meeting the standards and specifications referred to above.

7. **Training.**

On or before the earlier of \_\_\_\_\_ or \_\_\_\_\_ days prior to the completion of construction, those persons identified in Section 8.A. of attached Exhibit A shall have completed, to the satisfaction of Meadows, the initial training program described in said Section 8.A. If Optionee is an existing franchisee, training may not be required.

8. **Execution of Franchise Agreement and Opening of the Custard Stand.**

On or before the earlier of \_\_\_\_\_ or the date construction commences, Optionee and Guarantor(s) shall execute the form of Franchise Agreement attached as Exhibit A and deliver the same together with Twenty Thousand Dollars (\$20,000.00) (which, together with the Five Thousand Dollar (\$5,000.00) Deposit hereunder shall constitute the Twenty-Five Thousand Dollar (\$25,000.00) Initial Franchise Fee payable under said Franchise Agreement) to Meadows. If Optionee is an existing franchisee and training is not required, the sum to be delivered to Meadows shall be Ten Thousand Dollars (\$10,000.00) (which together with the Five Thousand Dollar (\$5,000.00) Deposit shall constitute the Fifteen Thousand Dollar (\$15,000.00) Initial Franchise Fee for the additional franchise).

Following the completion of construction, provided that Optionee has fully complied with all of the requirements contained herein, Meadows shall, following its determination that Optionee has in fact fully complied with all of the requirements herein, execute said Franchise Agreement and return one fully executed copy to Optionee. Only then shall the Custard Stand be authorized to open for business.

9. **Confidentiality.**

Optionee (a) recognizes and agrees that Meadows owns all materials and information furnished or disclosed to Optionee by Meadows pursuant to this Agreement; (b) agrees to use the materials and information furnished or disclosed to Optionee by Meadows pursuant to this Agreement only for the purposes contemplated by this Agreement; and (c) agrees to preserve in confidence any and all materials and information furnished or disclosed to Optionee by Meadows pursuant to this Agreement.

10. **Option Agreement Is Not a Franchise Agreement.**

This Agreement is not a franchise agreement and Optionee has no right to use in any manner Meadows' trademarks, service marks or trade names by virtue of this Agreement. **Until Meadows fully executes the Franchise Agreement and delivers a fully executed copy to Optionee, Optionee shall have no right to open or operate the Custard Stand or otherwise act as a franchisee under the Franchise Agreement.** If Optionee does so, then, in addition to all other remedies Meadows may have in law and in equity, Meadows may terminate this Agreement, retain the entire Deposit hereunder, and file and prosecute suit against Optionee; and Optionee agrees to pay all suit costs of Meadows, including attorneys' fees.

11. **Right to Terminate Agreement.**

In addition to the other grounds for termination contained herein, Meadows may terminate this Agreement upon written notice to Optionee in the event that Optionee fails to meet any one or more of the time deadlines contained herein. This Agreement may be terminated at any time by Optionee provided that Optionee fully complies with Section 13.A.-B. hereof and executes a general release under seal, in a form satisfactory to Meadows, of any and all claims against Meadows and its affiliates and subsidiaries and their respective officers, directors, shareholders and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to, this Agreement and any other agreements between Meadows and Optionee.

12. **Disbursement of Deposit Upon Termination of Agreement.**

If this Agreement is terminated prior to Meadows' approval of a site request, Meadows shall retain Two Thousand Dollars (\$2,000.00) of the Deposit hereunder and shall return to Optionee (promptly after Optionee complies with Section 13.A.-B. hereof) the remainder of the Deposit; except that Meadows shall retain the entire Deposit if this Agreement is terminated by Meadows pursuant to Section 10 hereof. If this Agreement is terminated subsequent to Meadows' approval of a site request, regardless of the reason for termination, Meadows shall retain the entire Deposit.

13. **Effect of Termination of this Agreement.**

Upon termination of this Agreement for any reason, Optionee agrees:

A. To return forthwith to Meadows all materials and information furnished by Meadows pursuant to this Agreement; and

B. To forthwith make such modifications or alterations to any building which has been partially or fully constructed or remodeled pursuant to this Agreement as may be necessary to distinguish the building from a Custard Stand and to make such specific additional changes thereto as Meadows may reasonably request for that purpose; and

C. That Optionee will not, except to the extent it is a franchisee of Meadows at other locations and is licensed to do so, (1) operate or do business under any name or in any manner that might tend to give the general public the impression that Optionee is connected in any way with Meadows or has any right to use the "Meadows Original Frozen Custard System" or "Trademarks" (as both terms are defined in attached Exhibit A); (2) make use or avail itself of any of the materials or information furnished or disclosed by Meadows or disclose or reveal any such materials or information or any portion thereof to anyone else; or (3) assist anyone not licensed by Meadows to construct or equip a restaurant

similar in any material respect to a restaurant licensed to use the Meadows Original Frozen Custard System.

14. **Indemnification.**

Optionee covenants and agrees that if Meadows shall be made or become a party to any legal action because of this Agreement or because of any act or omission of Optionee hereunder, Optionee shall pay all judgments, claims, damages, costs and expenses incurred by Meadows as a result of said litigation, including attorneys' fees. At Meadows' option, Optionee shall also defend Meadows in any legal action through mutually agreed upon counsel, in which case Optionee shall keep Meadows informed of the status of such legal action.

15. **Insurance.**

Optionee shall be responsible for all loss or damage originating in or incurred in connection with the Custard Stand and its construction and for all claims or demands for damages to property or for injury, illness, or death of persons directly or indirectly resulting therefrom, and Optionee agrees to indemnify, defend and save Meadows harmless of and from any such claims, loss or damage. Optionee shall at all times carry such insurance as may be required by the terms of any lease on the premises where the Custard Stand is located, and in any event, the following:

A. Worker's Compensation or Stop Gap insurance containing a waiver of subrogation in favor of Meadows executed by the insurance company covering all costs, benefits, liabilities under State Workers' Compensation and similar laws which may accrue in favor of any person employed by Optionee and Employer's Liability Insurance with limits of not less than \$500,000. All of Optionee's employees who participate in training programs run by Meadows shall be on Optionee's payroll at the time such training programs commence; and

B. Liability Insurance under a comprehensive general liability form that includes coverage for bodily injury, products, owned and non-owned automobile and property damage on an occurrence basis with coverage not less than \$1,000,000 primary and \$1,000,000 umbrella/excess liability coverage; and

C. Builder's Risk Insurance with coverage equal to the greater of (i) replacement cost based on current market value or (ii) the amount required by Optionee's lending institution; and

D. Fire, vandalism, extended coverage and all risk (named exclusion) coverage with primary and excess limits of not less than the full replacement value of the Custard Stand, its furniture, fixtures and equipment.

Meadows may reasonably increase the minimal coverage required under paragraphs A.-D. above and require different or additional kinds of insurance to reflect inflation, higher damage awards or other relevant changes in circumstances. Any and all insurance obtained by Optionee shall be placed with companies rated "B+ -- XII" or better by the Alfred M. Best Company survey of insurance companies. Meadows shall be named as an additional insured under each of said policies (which shall provide that the coverage afforded applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each) without restrictions and furnished with copies of the policies or certificates therefor.

All policies of insurance required to be maintained by Optionee hereunder shall be renewed (and certificates together with evidence of payment of premiums delivered to Meadows) at least thirty (30) days prior to the respective expiration dates of existing policies of insurance. All such policies shall contain endorsements requiring the insurer to give Meadows at least ten (10) days written notice before

terminating, canceling or making any changes in any such policy. None of the insurance policies obtained by Optionee shall contain any provision which in any way limits or reduces coverage for Optionee in the event of any claim by Meadows. The insurance coverage obtained by Optionee shall extend to, and provide coverage for, all obligations assumed by Optionee hereunder and all other items for which Optionee is obligated to indemnify Meadows under the terms of this Agreement.

16. **No Assignment of License by Optionee.**

Optionee may not assign this Agreement, in whole or in part, nor may Optionee license others under this Agreement.

17. **Notices.**

All notices required or permitted to be given hereunder shall be in writing and shall be deemed to be properly served if personally delivered or sent by the United States registered, certified, or express mail, postage prepaid, return receipt requested, (a) if to Optionee, addressed to Optionee at the address for Optionee first above written or at such other address as Optionee may have designated from time to time by written notice to Meadows, and (b) if to Meadows, addressed to Meadows at the address first above written or at such other address as Meadows may have designated from time to time by written notice to Optionee. The date of service for notices shall be the date such notices are received (as indicated by the return receipt or otherwise) or first refused, if that be the case.

18. **Representations by Optionee.**

Optionee represents, acknowledges and warrants to Meadows that:

A. Optionee has read this Agreement in its entirety and has been thoroughly advised with regard to the terms and conditions of this Agreement by legal counsel of Optionee's own choosing; and

B. Optionee has not received from Meadows any representation of Optionee's potential sales, expenses, income, profit or loss in the operation of a Custard Stand; and

C. Optionee understands that Meadows makes no express or implied warranties or representations that Optionee will achieve any degree of success in the operation of a Custard Stand and, while Meadows will provide Optionee with training (if warranted), advice and consultation, success in the operation depends ultimately on Optionee and on other factors, including, but not limited to, marketing, economic conditions, financial considerations and competition; and

D. All information provided Meadows in connection with the approval of Optionee as an optionee is truthful and accurate; and

E. Optionee acknowledges and agrees that it received Meadows' Franchise Disclosure Document at least fourteen (14) days prior to Optionee's execution of this Option Agreement and the payment of any monies to Meadows. Optionee further acknowledges and agrees that this Option Agreement, including Exhibit A (The Meadows Original Frozen Custard Unit Franchise Agreement and its Exhibits A and B), was furnished in the form actually executed, at least seven (7) calendar days prior to the date of its execution by Optionee.

*[signatures appear on next page]*

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

OPTIONEE:

Attest/Witness:

\_\_\_\_\_

\_\_\_\_\_

FRANCHISOR:

Attest:

The Meadows Franchise Systems, Inc.

\_\_\_\_\_

By: \_\_\_\_\_  
Steven Gardner, President

**MARYLAND AMENDMENT TO OPTION AGREEMENT**

The Option Agreement for **The Meadows Franchise Systems, Inc.** for use in the State of Maryland is hereby amended as follows:

Additions: The following provisions are added to the Option Agreement:

**A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.**

**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.**

**The General Release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.**

Deletions: Items 18.A, 18.B, and 18.C of the Option Agreement are deleted.

IN WITNESS WHEREOF, the parties have executed this Amendment to the Option Agreement as of the day and year first hereinabove written.

OPTIONEE:

Attest/Witness:

\_\_\_\_\_

\_\_\_\_\_

FRANCHISOR:

Attest:

The Meadows Franchise Systems, Inc.

\_\_\_\_\_

By: \_\_\_\_\_  
Steven Gardner, President

**NEW JERSEY AMENDMENT TO OPTION AGREEMENT**

The Option Agreement for **The Meadows Franchise Systems, Inc.** for use in the State of New Jersey is hereby amended as follows:

Additions: The following provisions are added to the Option Agreement:

**Any release, assignment, novation, waiver or estoppel to which Franchisee assents shall be inapplicable to any liability imposed under New Jersey's Franchise Practices Act.**

**Franchisee may bring an action against Franchisor for violation of New Jersey's Franchise Practices Act in the Superior Court of the State of New Jersey.**

IN WITNESS WHEREOF, the parties have executed this Amendment to the Option Agreement as of the day and year first hereinabove written.

OPTIONEE:

Attest/Witness:

\_\_\_\_\_

\_\_\_\_\_

FRANCHISOR:

Attest:

The Meadows Franchise Systems, Inc.

\_\_\_\_\_

By: \_\_\_\_\_  
Steven Gardner, President

# EXHIBIT C1.a

## GUARANTEE

The undersigned, each of whom owns (or is married to the owner of) an interest in Optionee, do hereby consent, agree to and do hereby authorize the execution and delivery or assumption of the foregoing Option Agreement by Optionee and agree that the provisions contained in said Option Agreement shall be binding upon each of them individually to the same extent as if they were personally named as Optionee under said Option Agreement, and, further, in consideration of the execution of said Option Agreement by Meadows, they do hereby unconditionally and irrevocably guarantee the performance of each and every covenant and agreement of Optionee as contained in said Option Agreement. The undersigned further agree that Meadows may seek to enforce the terms of this Guarantee against any one or more of the undersigned without instituting suit against Optionee, without joining Optionee in any suit against the undersigned and without joining all of the undersigned in any suit. Each of the undersigned has read said Option Agreement in full.

The undersigned agree that their obligations under this Guarantee shall remain in full force and effect and shall not be altered or released by (a) assignment or other transfer of the Option Agreement by either party, or (b) amendment of the Option Agreement, or (c) any release, accommodation or waiver granted by Meadows to Optionee or any successor of Optionee, or any other guarantor.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness

**EXHIBIT C.2**

**FRANCHISE AGREEMENT**

**THE MEADOWS ORIGINAL FROZEN CUSTARD UNIT**  
**FRANCHISE AGREEMENT**

**THE MEADOWS ORIGINAL FROZEN CUSTARD UNIT FRANCHISE AGREEMENT**

	<b><u>Page</u></b>
1. License and Exclusive Territory .....	1
2. Initial Term and Renewal Term .....	2
A. Initial Term .....	2
B. Renewal Term .....	2
3. Initial Franchise Fee .....	3
4. Royalty Fee on Gross Sales and Formula Mix Purchases .....	3
A. Royalty Fee on Gross Sales .....	3
B. Formula Mix Purchases .....	4
5. Modifications in System .....	4
6. Initial Construction, Completion and Subsequent Alteration of the Building at the Franchised Location .....	4
A. Initial Construction .....	4
B. Completion .....	4
C. Subsequent Alteration .....	4
7. Services by Franchisor .....	5
A. Training .....	5
B. Pre-Opening Assistance .....	5
C. Opening of the Custard Stand .....	5
D. Post-Opening Assistance .....	5
E. Periodic Inspections .....	5
8. Training .....	5
A. By Franchisor .....	5
B. By Franchisee .....	6
9. Bookkeeping and Cash Registers .....	6
10. Reports .....	6
A. Annual Reports .....	6
B. Franchisor's Audit Rights .....	6
C. Weekly Sales Reports .....	6
11. Advertising .....	7
A. National Advertising .....	7
B. Regional Advertising .....	7
C. Local Advertising .....	8
D. Changes in Contribution Rates .....	9
E. Grand Opening .....	9
12. Manual .....	9
13. Restriction as to Employees .....	9
14. Performance Standards and Uniformity of Operation .....	9
A. General Standards and Specifications .....	10
B. Franchisor Inspections .....	10
C. Formula Mixes .....	10

D.	Maintenance and Renovation of Unit.....	10
E.	Compliance with Law .....	11
F.	Maximum Operation of Custard Stand.....	11
G.	Uniforms .....	11
H.	Employee Standards.....	11
I.	Ingredients, Supplies and Equipment Specifications.....	11
J.	Signs .....	11
K.	Promotion of Custard Stand.....	12
L.	Dignified Advertising .....	12
M.	No Alcohol or Gambling .....	12
N.	No Vending or Entertainment Machines .....	12
O.	Health Classification and Maintenance of Standards .....	12
P.	Taxes and Indebtedness.....	13
Q.	Timely Payments.....	13
15.	Trademarks .....	13
16.	Relationship of Parties .....	14
17.	Restrictions .....	14
A.	Noncompetition During the Term of this Agreement.....	14
B.	Confidentiality.....	14
C.	Noncompetition Following Expiration or Earlier Termination of this Agreement.....	15
D.	Exclusion of Certain Stock Ownership.....	15
E.	Definitions .....	15
18.	Interest .....	15
19.	Insurance .....	16
20.	Transferability of Interest and Organization of Franchisee .....	16
A.	Transfer by Franchisor .....	16
B.	Transfer by Franchisee .....	17
C.	Transfer to Franchisee's Corporation .....	18
D.	Transfer Upon Death or Permanent Incapacity .....	18
E.	Corporate Franchisee .....	18
F.	Partnership Interests .....	19
G.	Subfranchisees Not Permitted .....	20
H.	Non-Waiver of Claims .....	20
21.	Termination by Franchisor .....	20
A.	Automatic Termination Without Notice.....	20
B.	Termination Upon Notice .....	20
C.	Termination Upon Expiration of Cure Period Stated in Notice .....	21
D.	Termination Following Inspection .....	22
E.	Statutory Limitations.....	22
F.	Litigation.....	22
22.	Termination by Franchisee .....	22
23.	Effect of Expiration or Earlier Termination of this Agreement.....	22
24.	Approvals and Waivers .....	23

25.	Franchisor's Right of First Refusal .....	24
26.	Option to Purchase .....	24
27.	Restriction on Use of Franchised Location .....	25
28.	Representations by Franchisee .....	25
29.	Indemnification .....	25
30.	Entire Agreement .....	27
31.	Notices .....	27
32.	Governing Law and Forum; Limitations .....	27
33.	Effect of State Laws; Severability .....	27
	Guarantee .....	29
	Exhibit A - Franchised Location	
	Exhibit B - Corporate Ownership and Partnership Interests	

**THE MEADOWS ORIGINAL FROZEN CUSTARD UNIT FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT ("Agreement") is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ ("Effective Date"), by and between THE MEADOWS FRANCHISE SYSTEMS, INC., a Pennsylvania corporation, whose address is 310 Penn Street, Suite 300, Hollidaysburg, PA, 16648 ("Franchisor") and \_\_\_\_\_, a limited liability company/corporation/partnership organized under the laws of the State of \_\_\_\_\_, [or an individual(s) residing in the State of \_\_\_\_\_], whose address is \_\_\_\_\_, ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor, as a result of the expenditure of time, skill, effort and money, has developed and owns a unique formula for the production of frozen custard and frozen yogurt and a system for opening and operating restaurants specializing in the sale of frozen custard, frozen yogurt and related food items (as used herein, such system shall be called the "Meadows Original Frozen Custard System"); and

WHEREAS, the distinguishing features of the Meadows Original Frozen Custard System include, but are not limited to, the names "The Meadows" and "The Meadows Original Frozen Custard" specially designed buildings, fixtures, equipment, containers and other items used in serving and dispensing food products; signs, emblems, trade names, trademarks, and service marks; distinctive food products (including the frozen custard and the frozen yogurt) and the formulas and quality standards therefor; and instructional materials and training courses; all of which may be changed, improved and further developed from time to time; and

WHEREAS, Franchisee wishes to be assisted, trained and licensed by Franchisor to be a Meadows Original Frozen Custard Unit Franchisee; and

WHEREAS, Franchisee recognizes the importance to Franchisor, other franchisees, and to the public of maintaining the distinctive standards, qualities and attributes of products and services identified by the Trademarks (as defined in Section 15 hereof) associated with The Meadows Original Frozen Custard restaurants and is willing to maintain such standards, qualities and attributes in its operation of, and advertising for, the Custard Stand (defined below); and

WHEREAS, Franchisee desires to obtain a license to use the Meadows Original Frozen Custard System at the Franchised Location (defined below), subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. **License and Exclusive Territory.**

A. **License.**

Franchisor hereby grants to Franchisee the right ("Franchise"), for the term and subject to the conditions set forth herein, to use the Meadows Original Frozen Custard System in the operation of one The Meadows Original Frozen Custard restaurant ("Custard Stand") at the street address identified in attached Exhibit A ("Franchised Location"). The Franchise granted herein is for the Franchised Location only.

**B. Exclusive Territory.**

Franchisor will not operate a custard stand within a \_\_\_\_\_ mile radius of Franchisee's Custard Stand ("Franchisee's Exclusive Territory") nor will Franchisor grant another franchise to operate a custard stand within Franchisee's Exclusive Territory. Franchisor is not under any obligation to permit Franchisee to open additional custard stands inside or outside of Franchisee's Exclusive Territory. Franchisee acknowledges and agrees that Franchisor may sell products under the Meadows trademark in Franchisee's Exclusive Territory through other channels of distribution. Franchisee further acknowledges and agrees that Franchisor and/or other franchisees may solicit and/or accept orders from inside Franchisee's Exclusive Territory using any current technology. Franchisee will not receive any compensation for any solicitations made or orders accepted in Franchisee's Exclusive Territory.

**2. Initial Term and Renewal Term.**

**A. Initial Term.**

Unless terminated earlier in accordance with the terms set forth herein, this Agreement and the Franchise granted hereunder shall have an Initial Term commencing as of the Effective Date and terminating at midnight on the day preceding the tenth (10<sup>th</sup>) anniversary of the Franchisee's original opening of the Custard Stand.

**B. Renewal Term.**

At the expiration of the Initial Term hereof, Franchisee shall have the opportunity to exercise an option to remain a Franchisee for one additional period equal to the lesser of ten (10) years or the Initial Term then being offered for a new Meadows Original Frozen Custard franchises, subject to the following conditions which must be met prior to renewal:

(1) Franchisee shall give Franchisor written notice of its desire to exercise its option to continue as a Franchisee not less than one hundred eighty (180) days, nor more than two hundred seventy (270) days, prior to the expiration of the Initial Term of this Agreement; and

(2) Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or Franchisor's subsidiaries and affiliates both at the time Franchisee provides Franchisor the notice required by preceding Section 2.B.(1) and at the commencement of the Renewal Term; and

(3) Franchisee shall agree to make such capital expenditures as may be reasonably required to renovate and modernize the Custard Stand and its premises, signs and equipment to conform to the building design, trade dress, color schemes and presentation of the Trademarks consistent with the then-current image of the Meadows Original Frozen Custard System, including, without limitation, such structural changes, remodeling, redecoration and such modifications to existing improvements as may be necessary to do so; and

(4) Franchisee must have the right to remain in possession of the Franchised Location, or other premises acceptable to Franchisor, for the new term. If Franchisee chooses, or is required, to relocate, then Franchisee shall pay Franchisor's reasonable expenses in evaluating the new location in addition to the renewal fee required by Section 2.B.(6) hereof; and

(5) Franchisee shall execute a new franchise agreement on the form then in general use by Franchisor. Such new franchise agreement may differ in various ways from this Agreement including, but not limited to, provisions relating to the royalty fee and advertising expenditures; and

(6) Franchisee shall pay Franchisor a renewal fee of Five Thousand Dollars (\$5,000) to reimburse Franchisor for its expenses in connection with the renewal; and

(7) Franchisee shall execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates and their respective corporate officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement, any other agreements between Franchisor and Franchisee and Franchisee's operation of the Custard Stand and other custard stands which Franchisee has been licensed to operate; and

(8) In the reasonable judgment of Franchisor (as evidenced by written approval of renewal from Franchisor), Franchisee has, during the term of this Agreement, substantially complied with all of the terms and conditions of this Agreement and any other agreement between Franchisor and Franchisee and has substantially and consistently complied with the operating standards and criteria established for the Meadows Original Frozen Custard System.

Notwithstanding the foregoing, if, at the time Franchisee seeks to exercise its option to renew, Franchisor is no longer offering franchises in the state in which the Custard Stand is located, Franchisee shall not have any option to renew this Agreement unless applicable state law requires otherwise, in which case the requirements of such state law shall prevail.

3. **Initial Franchise Fee.**

Franchisee has paid Franchisor an Initial Franchise Fee of Twenty-Five Thousand Dollars (\$25,000) (unless Franchisee was an existing franchisee prior to execution of this Agreement and no training is required in which case Franchisee paid Franchisor an Initial Franchise Fee or \$15,000 for the franchise granted under this Agreement). Franchisee acknowledges that said fee was paid in consideration of Franchisor's initially granting this Franchise and that it was fully earned at the time paid and is not refundable for any reason whatsoever.

4. **Royalty Fee on Gross Sales and Formula Mix Purchases.**

A. **Royalty Fee on Gross Sales.**

No royalty fee on Gross Sales is required at this time. Franchisor may in the future require Franchisee to pay a royalty fee in addition to other amounts to be paid. The royalty fee would be a specified percentage of the Gross Sales realized from the Custard Stand. The term "Gross Sales" shall include all sales made from the Custard Stand including, but not limited to, sales of foods, beverages, and services and receipts from food catering. It shall not include receipts from one (1) coin operated tobacco machine, newspaper vending machines and pay telephones, the cost of food provided to employees as an incident of employment, monies refunded upon return of merchandise, any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, nor the original price of products sold at a discounted price (in such instances, the discounted price of the products shall be used in computing Gross Sales). Gross Sales shall include Franchisee's net receipts from operation of any type of coin-operated vending or entertainment machines, other than those listed in the preceding sentence (all of which may only be operated if permitted by the Meadows Original Frozen Custard System).

If Franchisor requires a royalty fee on Gross Sales in the future:

(1) Franchisee shall, within ten (10) days after the end of each calendar month during the term of this Agreement, inform Franchisor in writing (or such other form as Franchisor may designate) of the amount of Gross Sales from the Custard Stand during such preceding month, provide such other information as Franchisor may reasonably designate from time to time and pay Franchisor the royalty fee applicable to said Gross Sales. Any royalty fee not actually received by Franchisor on or before the due date shall be deemed overdue if not postmarked at least two (2) days prior thereto.

(2) Franchisee shall, within twenty-five (25) days after the end of each calendar month during the term of this Agreement, furnish Franchisor with an operating statement ("Monthly Operating Statement") in a form and containing such information as may from time to time be prescribed by Franchisor, including, but not limited to, the Gross Sales and expenses from operation of the Custard Stand during such preceding month and the quantity of the frozen custard mix and frozen yogurt mix purchased during such preceding month. Any Monthly Operating Statement not actually received by Franchisor on or before the due date shall be deemed overdue if not postmarked at least two (2) days prior thereto.

**B. Formula Mix Purchases.**

Franchisee shall purchase the formula mix for the frozen custard and frozen yogurt solely from Franchisor or such supplier(s) as has(have) been designated by Franchisor. The current designated suppliers are Lipari Food Service (located in Warren, Michigan) and Galliker Dairy Company (located in Johnstown, Pennsylvania). The price of the formula mix is established by the designated supplier and includes a fee of \$1.50 per gallon that the designated supplier pays to Franchisor. Franchisor may add suppliers to or remove suppliers from the list of designated suppliers at any time in Franchisor's sole discretion. Likewise, Franchisor may change the fee paid to Franchisor for each gallon of formula mix at any time in Franchisor's sole discretion.

**5. Modifications in System.**

Franchisee recognizes and agrees that from time to time hereafter, Franchisor may change or modify the Meadows Original Frozen Custard System, including, but not limited to, the adoption of new administrative forms and the adoption and use of new or modified Trademarks (as defined in Section 15 hereof) or copyrighted materials and modifications of the menu or the required equipment. Franchisee agrees that it will accept, use and display in its Custard Stand any such changes or modifications in the Meadows Original Frozen Custard System (including, but not limited to, the adoption of new administrative forms and the adoption and use of new or modified Trademarks or copyrighted materials and modifications of the menu or the required equipment) as if they were a part of the Meadows Original Frozen Custard System at the time of execution of this Agreement, and that Franchisee will make such expenditures as such changes or modifications in the Meadows Original Frozen Custard System (including, but not limited to, the adoption of new administrative forms and the adoption and use of new or modified Trademarks or copyrighted materials and modifications of the menu or required equipment) may require.

**6. Initial Construction, Completion and Subsequent Alteration of the Building at the Franchised Location.**

**A. Initial Construction.**

Franchisee shall purchase or lease the land on which the Custard Stand is located and construct the necessary improvements thereon. All such buildings and other improvements shall be constructed in accordance with general plans, specifications and designs ("Plans and Specs") approved by Franchisor.

**B. Completion.**

Franchisee agrees to complete construction or conversion of a building and other improvements on the Franchised Location in accordance with the Plans and Specs approved by Franchisor and to open same for business no later than thirty (30) days after the date hereof.

**C. Subsequent Alteration.**

No alterations which affect the image of the Meadows Original Frozen Custard System shall be made to the building and improvements at the Franchised Location without Franchisor's prior written consent.

7. **Services by Franchisor.**

During the term of this Agreement, Franchisor shall, as it deems appropriate, make the following services available to Franchisee:

A. **Training.**

Franchisor's initial training program in the Meadows Original Frozen Custard System to those persons identified in Section 8.A. hereof.

B. **Pre-Opening Assistance.**

Such consultation and advice as Franchisor, in the sole exercise of its discretion, deems appropriate with regard to construction and operation of the Custard Stand, parking and building layouts, equipment and equipment layouts, employee selection and training, purchasing and inventory control and such other matters as Franchisor deems appropriate.

C. **Opening the Custard Stand.**

One of the Franchisor's employees ("Franchise Consultant") to assist in the opening of the Custard Stand and in training Franchisee's employees. Franchisor shall pay the salary of its Franchise Consultant while he is assisting in the opening of the Custard Stand and Franchisee shall pay for the transportation, meals and lodging of the Franchise Consultant while he is assisting in the opening of the Custard Stand. If deemed necessary by Franchisor, in the sole exercise of its discretion, additional employees of Franchisor shall be called in to assist in such opening and training and shall remain for such time as Franchisor, in the sole exercise of its discretion, deems necessary in order to properly open the Custard Stand and train the personnel employed therein. Franchisee shall pay the salaries of such additional employees (including the cost of the fringe benefits of such additional employees which the parties agree equal twenty percent (20%) of their salaries) while they are assisting in the opening of the Custard Stand plus the transportation, meals and lodging of such additional employees while they are assisting in the opening of the Custard Stand.

D. **Post-Opening Assistance.**

Such periodic advice, consultation and assistance (whether individually or to a group and rendered by personal visit, telephone or in writing) concerning the Custard Stand and the Meadows Original Frozen Custard System as Franchisor, in the sole exercise of its discretion, deems necessary or appropriate.

E. **Periodic Inspections.**

Such periodic inspections of the Custard Stand and its operations as Franchisor, in the sole exercise of its discretion, deems necessary or appropriate.

8. **Training.**

A. **By Franchisor.**

Unless Franchisee was an existing franchisee prior to the execution of this Agreement and training is not necessary, the following persons shall complete, to the satisfaction of Franchisor, Franchisor's then-current initial training program and any advanced training programs specified by Franchisor: (i) Franchisee, if Franchisee is a sole proprietorship; (ii) each person who is actively involved in the management or operation of the Custard Stand; (iii) if Franchisee is a corporation or a partnership, each person who has an ownership interest in Franchisee who is requested by Franchisor to so attend. In addition, if the sales at the Custard Stand rank consistently (i.e., for six (6) or more consecutive months

of operation) in the bottom twenty-five percent (25%) of similarly situated custard stands, Franchisor may require the management of the Custard Stand to again complete Franchisor's then-current initial training program.

Training programs conducted by Franchisor shall be at such times and places as Franchisor may reasonably designate. No charge shall be made by Franchisor for training programs conducted by it, but Franchisee shall be required to pay all expenses of Franchisee and Franchisee's personnel who take part in any such program or programs. Franchisee recognizes and agrees that Franchisor reserves the right to dismiss any person from the training program who is not performing to Franchisor's satisfaction.

**B. By Franchisee.**

Franchisee shall conduct such continuing training programs for its employees as Franchisor shall reasonably require.

**9. Bookkeeping and Cash Registers.**

Franchisee agrees to use cash registers for all sales at the Custard Stand and to use only non-resettable cash registers that record all sales on tape. Franchisee shall keep and maintain complete and accurate books and records of its business operations in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor. Franchisee agrees to preserve its books, records (including cash register tapes) and tax returns for at least three (3) years after preparation thereof and make same available to Franchisor upon request.

**10. Reports.**

**A. Annual Reports.**

In addition to furnishing the Monthly Operating Statement required by Section 4.A. hereof, Franchisee shall, within sixty (60) days after the end of each calendar year, furnish Franchisor compiled financial statements as defined by the American Institute of Certified Public Accountants, Statement on Standards for Accounting and Review Services (SSRS1), which include a Balance Sheet and a Statement of Income for the preceding year. These financial statements shall be prepared by an independent accountant or auditor and, if requested by Franchisor, certified by said accountant or auditor to be correct.

**B. Franchisor's Audit Rights.**

Franchisor and its authorized representatives shall have the right at all reasonable times to examine, at its own expense, Franchisee's books, records and tax returns, and such other forms, reports information and data as Franchisor may reasonably designate, applicable to the operation of the Custard Stand during the previous three (3) years. If such examination discloses an understatement of Gross Sales, Franchisee shall promptly pay Franchisor the deficiency in the royalty fee and advertising contribution plus interest at the rate set forth in Section 18 hereof. If such examination discloses an understatement of Gross Sales by more than two percent (2%) for the audit period, Franchisee shall, in addition to paying Franchisor the deficiency in the royalty fee and advertising contribution plus interest at the rate set forth in Section 18 hereof, pay the reasonable costs and expenses of Franchisor in connection with such examination. Franchisor's ability to exercise all other remedies it may have pursuant to this Agreement or applicable law shall not be limited by the payment of the understated royalty fee and advertising contribution plus interest and reimbursement of the costs and expenses of the audit.

**C. Weekly Sales Reports.**

Franchisee shall email or fax weekly sales reports to Franchisor.

11. **Advertising.**

A. **National Advertising.**

If Franchisor, in the sole exercise of its discretion, determines that a National Advertising Program is merited, it shall notify Franchisee in writing that such a program is being established. Commencing ninety (90) days after receipt of such notice, Franchisee shall pay Franchisor monthly (at the same time the royalty fee is due) one percent (1%) of the Gross Sales of the Custard Stand for Franchisor's use in developing and continuing a National Advertising Program. The custard stands operated by Franchisor shall contribute the same percentage amount to the National Advertising Program. Franchisor shall administratively segregate on its books and records the National Advertising payments made by Franchisee; however, Franchisor shall be entitled to commingle such payments with Franchisor's general operating funds and such funds shall be deemed an asset of Franchisor, subject to its obligations to spend those funds in accordance with this Section 11.A. Franchisor shall furnish Franchisee with annual reports itemizing the disposition of the National Advertising Programs funds.

Funds in the National Advertising Program may be expended by Franchisor for any and all or a combination of the following: (i) development of advertising ideas, concepts and general plans; (ii) formulation and execution of marketing research and merchandising programs and strategies; (iii) preparation and execution of advertising strategies and campaigns; (iv) development of promotional ideas, concepts and general plans; (v) preparation and execution of promotional strategies and campaigns; (vi) preparation and execution of collateral creative materials; (vii) writing, design, illustration, filming, editing and other preparation of advertisements; (viii) all planning, strategy, negotiation, contracting, buying, verifying, modifying and trafficking all media programs; (ix) technical and professional advice in connection with the National Advertising Program; (x) other advertising, promotional, public relations, administrative and related purposes; and (xi) administration of the National Advertising Program (specifically, Franchisor may receive from the National Advertising Program funds a fee not to exceed ten percent (10%) of all payments made to the National Advertising Program in each calendar year to reimburse Franchisor for its administrative expenses with respect to the National Advertising Program).

In administering the National Advertising Program, Franchisor shall not be required to make expenditures for any franchisee which are equivalent or proportionate to such franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from placement of advertising and sales promotion payments.

Franchisor may from time to time discontinue the National Advertising Program if, in the sole exercise of its discretion, it determines that such discontinuance is appropriate. In the event Franchisor so discontinues the National Advertising Program, any monies remaining in the program after all expenses have been paid shall be returned to all custard stands contributing to the Program on a basis proportionate to the funds contributed by each during the previous twelve (12) months.

B. **Regional Advertising.**

Franchisor may, in the sole exercise of its discretion, from time to time establish, and subsequently discontinue, a regional advertising and sales promotion cooperative ("Regional Co-op") for the geographic area which encompasses the Franchised Location. That geographic area will normally (but not always) include the land lying within the local television viewing area as outlined by the Arbitron Television Area of Dominant Influence ("ADI") or the Nielson Television Market (Designated Market Area - "DMA"). Franchisor shall send Franchisee written notice of the establishment of a Regional Co-op, which shall specify the commencement date of the program and the initial amount of Franchisee's contribution (which shall be stated as a percentage of Franchisee's Gross Sales, not to exceed three percent (3%) of Gross Sales, and which shall be uniform for all custard stands that are members of the Regional Co-op). Within ten (10) days after the end of each calendar month, Franchisee shall pay Franchisor the monthly Regional Co-op contribution applicable to the Gross Sales of the Custard Stand during such calendar month. Franchisor shall administratively segregate on its books and records the

Regional Co-op payments made by Franchisee; however, Franchisor shall be entitled to commingle such payments with Franchisor's general operating funds and such funds shall be deemed an asset of Franchisor. Franchisor shall disburse such funds to the Regional Co-op upon presentation of invoices for permitted advertising activities.

Funds in the Regional Co-op may be expended by the Regional Co-op for any and all or a combination of the following: (i) development of advertising ideas, concepts and general plans; (ii) formulation of marketing, research and merchandising programs and strategies; (iii) preparation and execution of advertising strategies and campaigns; (iv) development of promotional ideas, concepts and general plans; (v) preparation and execution of promotional strategies and campaigns; (vi) preparation and execution of collateral creative materials; (vii) writing, design, illustration, filming, editing and other preparation of advertisements; (viii) all planning, strategy, negotiation, contracting, buying, verifying, modifying and trafficking all media programs; (ix) technical and professional advice in connection with the Co-op; (x) other advertising, promotional, public relations, administrative and related purposes; and (xi) administration of the Co-op (specifically, Franchisor may receive from the Regional Co-op funds, a fee not to exceed ten percent (10%) of all payments made to the Regional Co-op in each calendar year to reimburse Franchisor for its administrative expenses with respect to the Regional Co-op).

Any increases in the amount of Franchisee's contribution to the Regional Co-op, selection of an advertising agency and advertising spending shall be determined by majority vote of the Regional Co-op in accordance with bylaws adopted by the Regional Co-op. Each operator of a custard stand (including Franchisor) contributing to the Regional Co-op shall be a member of the Regional Co-op and shall have a number of votes equal to the number of custard stands that it operates in the geographic area comprising the Regional Co-op that contribute funds to the Regional Co-op. Franchisor shall always be a member of the Regional Co-op, but shall not have a vote unless it operates custards stands in the geographic area comprising the Regional Co-op. In the event that the members of the Regional Co-op cannot determine the manner in which Regional Co-op funds should be expended, Franchisor, in the sole exercise of its discretion, following thirty (30) days' advance written notice to members of the Regional Co-op, may assume such decision-making authority.

The Regional Co-op shall not be required to make expenditures for any Co-op member which are equivalent or proportionate to such member's contribution or to ensure that any particular member benefits directly or pro rata from placement of advertising or sales promotion payments.

The Regional Co-op shall submit annually for Franchisor's approval its marketing plan with respect to kinds and amounts of advertising and media to be used. The Regional Co-op must obtain Franchisor's approval of such marketing plan before it may be implemented. Local advertising and promotion materials may be purchased from any source. If purchased from sources other than Franchisor, such materials and advertising shall comply with the guidelines for advertising promulgated from time to time by Franchisor and, if requested by Franchisor, shall be submitted to Franchisor prior to usage for its approval as to good taste, truthfulness, use of trademarks and trade names, and quality of image, which approval shall not be unreasonably withheld. If requested by Franchisor, the Regional Co-op shall submit drafts of said materials for review at least fifteen (15) days prior to their use. Should Franchisor not notify the Regional Co-op of objections to the materials within five (5) business days after receipt by Franchisor, said materials shall be deemed approved.

Franchisor shall have the sole right to enforce the obligations of franchisees who are members of the Regional Co-op to contribute to the Regional Co-op and neither Franchisee or any other franchisees who contribute to the Regional Co-op shall be deemed a third party beneficiary with respect to the Regional Co-op obligations of other franchisees or have any right to enforce the obligation of any franchisee to contribute thereto.

C. **Local Advertising.**

Franchisee shall spend each month, at a minimal, two percent (2%) of the Gross Sales of the Custard Stand for local advertising and promotion. However, if Franchisee is contributing to a Regional

Co-op, it shall only be obligated to spend each month, at a minimal, one percent (1%) of the Gross Sales of the Custard Stand for local advertising and promotion.

Franchisee shall report how local advertising funds were spent to Franchisor quarterly on forms supplied by Franchisor. Franchisee agrees to submit annually for Franchisor's approval its marketing plan with respect to kinds and amounts of advertising and media to be used. Franchisee must obtain Franchisor's approval of such marketing plan before it may be implemented. Local advertising and promotion materials may be purchased from any source. If purchased from sources other than Franchisor, such materials and advertising shall comply with the guidelines for advertising promulgated from time to time by Franchisor and, if requested by Franchisor, shall be submitted to Franchisor prior to usage for its approval as to good taste, truthfulness, use of trademarks and trade names, and quality of image, which approval shall not be unreasonably withheld. If requested by Franchisor, Franchisee shall submit drafts of said materials for review at least fifteen (15) days prior to their use. Should Franchisor not notify Franchisee of objections to the materials within five (5) business days after receipt by Franchisor, said materials shall be deemed approved.

Franchisee's cost of food items given away or sold at reduced price shall not be counted as a local advertising expenditure.

**D. Changes in Contribution Rates.**

In the event that experience indicates that the percentage amounts to be spent or contributed for national or local advertising should be changed, Franchisor shall be entitled in its discretion to propose such changes by notification in writing to all franchisees. In the event that responses on behalf of fifty-one percent (51%) or more of the custard stands responding within thirty (30) days from the date of the notice indicate that they agree with the desirability of the change, then the change shall be effective; and Franchisee hereby agrees to be bound by any such change.

**E. Grand Opening.**

In addition to the advertising obligations set forth above, Franchisee shall conduct a Grand Opening within ninety (90) days after the initial opening of the Custard Stand. The Grand Opening shall be conducted in accordance with Grand Opening Guidelines to be issued from time to time by Franchisor.

**12. Manual.**

Franchisee acknowledges receipt on loan of Franchisor's confidential Operating Manual, agrees to maintain the Operating Manual at the Custard Stand and to insure that the Operating Manual is kept current and up to date and agrees not to reproduce the Operating Manual or any part thereof without first obtaining Franchisor's written consent, and shall not disclose the contents of the Operating Manual to anyone not employed by Franchisee. Upon termination of this Agreement, Franchisee shall return all Operating Manuals it has received and/or copied to Franchisor. Upon loss or destruction of an Operating Manual, a replacement will be provided at a cost of Five Hundred Dollars (\$500.00).

**13. Restriction as to Employees.**

Franchisee agrees that it shall not employ nor seek to employ any person who is at the time (or has been during the previous three (3) months) employed by Franchisor or any other franchisee of the Meadows Original Frozen Custard System without first obtaining the consent of such person's employer (or former employer) and will not directly or indirectly, induce any such person to leave his or her employment.

**14. Performance Standards and Uniformity of Operation.**

Franchisee acknowledges that products sold and services performed under Franchisor's Trademarks (as defined in Section 15) have a reputation for quality. This reputation has been developed

and maintained by Franchisor; and Franchisee acknowledges that it is of the utmost importance to Franchisor, Franchisee and all other franchisees of the Franchisor that said reputation be maintained. Franchisee also acknowledges and agrees that the frozen custard formula mix, the frozen yogurt formula mix, uniformity of equipment and layout, Franchisor's special standardized design and decor of buildings and adherence to the Operating Manual are essential to the image of a Meadows Original Frozen Custard restaurant. In recognition of the mutual benefits accruing from maintaining the reputation for quality enjoyed by the Meadows Original Frozen Custard System, Franchisee covenants and agrees with respect to the operation of the Custard Stand, that Franchisee and its employees will comply with all of the requirements of the Meadows Original Frozen Custard System and Franchisee will additionally comply with the following:

A. **General Standards and Specifications.**

Franchisee shall operate the Custard Stand and prepare and sell all products sold therein in accordance with the specifications, standards, business practices, policies and procedures of Franchisor now in effect or hereafter promulgated for its franchisees, and comply with all requirements of the Meadows Original Frozen Custard System as now or hereafter set forth in the Operating Manual or otherwise. (By way of example and not as a limitation, Franchisee agrees to serve only the menu items specified by Franchisor, to follow all specifications and formulas of Franchisor as to contents and weight of unit products served, and to sell no other food or drink item or any other merchandise of any kind without the prior written approval of Franchisor.) Franchisee agrees that changes in the specifications, standards, business practices, policies and procedures may become necessary from time to time and agrees to accept as reasonable such modifications, revisions and additions to the Operating Manual and the Meadows Original Frozen Custard System as Franchisor in the good faith exercise of its judgment believes to be necessary, including without limitation, changes to the menu and the equipment required.

B. **Franchisor Inspections.**

Franchisor and its duly authorized representatives shall have the right, if they so elect, to enter the facilities of Franchisee and inspect same at all reasonable times to ensure that Franchisee is complying with the Operating Manual and all requirements of the Meadows Original Frozen Custard System. Franchisee agrees to cooperate fully with such inspections and to take such steps as may be necessary immediately to correct any deficiencies detected during such inspections in accordance with Franchisor's specifications, standards, business practices, policies and procedures, including, without limitation, desisting from further use of any equipment, advertising materials or supplies that do not conform with Franchisor's standards and requirements.

C. **Formula Mixes.**

In order to protect and further the reputation of quality enjoyed by the Meadows Original Frozen Custard System, Franchisee agrees to purchase the formula mix for the frozen custard and frozen yogurt solely from Franchisor or such supplier as has been designated by Franchisor. Franchisee shall not give away or sell the formula mix for the frozen custard or the frozen yogurt. Franchisor shall have the right at all times to conduct samples and tests of the formula mix (of both the raw and finished products) used by Franchisee in order to ensure that Franchisee is not altering or modifying the formula mix in any manner whatsoever. If such testing determines that Franchisee is intentionally altering or modifying the formula mix in any manner whatsoever, Franchisor shall be entitled to terminate this Agreement in accordance with the provisions of Section 21.B. (10) hereof.

D. **Maintenance and Renovation of Unit.**

Franchisee shall maintain and operate the Custard Stand in good condition and repair and in a proper and businesslike manner, and use its best efforts to maintain a clean, quiet, and respectable atmosphere therein. Franchisee shall renovate and modernize the building, premises, signs and equipment upon Franchisor's request, but not more than once every five (5) years, to conform to the building design, trade dress, color schemes, and presentation of the Trademarks consistent with the then-

current image of restaurants using the Meadows Original Frozen Custard System.

E. **Compliance with Law.**

Franchisee shall comply with all laws, ordinances and regulations affecting the Custard Stand and its operation.

F. **Maximum Operation of Custard Stand.**

Franchisee shall maintain sufficient inventories and employ sufficient employees to operate the Custard Stand at its maximum capacity and efficiency. The minimum season during which the Custard Stand shall be open for business is ten (10) consecutive months per calendar year and during such season, the Custard Stand shall be open seven (7) days a week from at least 11:00 AM to at least 10:00 PM.

G. **Uniforms.**

Franchisee shall require all of its employees to wear uniforms conforming to such specifications as to color, design, fabric, etc. as Franchisor may from time to time designate, which uniforms shall be maintained in good condition.

H. **Employee Standards.**

Franchisee shall employ only suitable persons of good moral character who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of Franchisor and the Meadows Original Frozen Custard System and use Franchisee's best efforts to insure that Franchisee's employees maintain a neat and clean appearance and render competent, sober and courteous service to patrons of the Custard Stand.

I. **Ingredients, Supplies and Equipment Specifications.**

In addition to the provisions of Section 14.C., Franchisee shall use only ingredients, supplies, furnishings and equipment that conform to the standards and specifications designated by Franchisor. Said items, other than formula mix for the frozen custard and the frozen yogurt, may be purchased from any source that can supply items that meet said standards and specifications, provided that said source must be designated as an approved supplier in the Operating Manual or must be approved in writing by Franchisor prior to use. Franchisor shall have the right to terminate this Agreement in accordance with Section 21.C. if Franchisee uses any ingredients, supplies, furnishings and equipment that do not conform to such standards and specifications. From time to time Franchisor may designate approved suppliers, including Franchisor, whose enumerated products shall be deemed to satisfy the standards and specifications required by Franchisor. Notwithstanding the foregoing, however, if Franchisee gives Franchisor notice sufficiently in advance to permit supplier and specification verification and testing, that it wishes to purchase ingredients, supplies, furnishings or equipment from reputable, dependable sources other than those designated, Franchisor will not unreasonably withhold approval of such purchases provided said purchases conform to the appearance, uniformity, quality, size or portion (and, where applicable, taste) standards, and other specifications of Franchisor. Franchisor may require that samples from alternate suppliers be delivered to Franchisor or to a designated independent testing laboratory for testing before approval and use. A charge not to exceed the actual cost of the test may be made by Franchisor or by an independent testing laboratory designated by Franchisor and shall be paid for by Franchisee. Franchisor may periodically require that said testing be performed again at Franchisee's expense to ensure that the manufacturer or supplier has continued to meet Franchisor's specifications.

J. **Signs.**

Franchisee shall prominently display in and upon the land and buildings of the Custard Stand signs (including pylon road signs if permitted) using the names "The Meadows", "The Meadows Original

Frozen Custard", and/or such other advertising signs, of such nature, form, color, number, location and size, and containing such material as Franchisor may from time to time direct as reflecting the current image of the Meadows Original Frozen Custard System or as Franchisor may approve in writing. Franchisee shall not display in or upon the Said premises or elsewhere any sign or advertising media of any kind to which Franchisor objects.

**K. Promotion of Custard Stand.**

Franchisee shall use its best and continuing efforts to fully promote and develop the Custard Stand only for the purposes designated in this Agreement and avoid activities that would conflict or interfere with or be detrimental to this purpose. If Franchisee is a sole proprietorship, Franchisee shall devote his full-time efforts to the promotion and development of the Custard Stand and avoid any activities that would conflict or interfere with or be detrimental to this purpose including, but not limited to, outside employment, or involvement in other business enterprises that would prevent Franchisee from devoting (40) hours per week to the Custard Stand and other custard stands operated by Franchisee during the season they are open for business. If Franchisee is a partnership or corporation, the person identified in attached Exhibit B ("Operator") shall devote his full-time efforts to the promotion and development of the Custard Stand and avoid any activities that would conflict or interfere with or be detrimental to his purpose including, but not limited to, outside employment, or involvement in other business enterprises that would prevent such person from devoting forty (40) hours per week to the Custard Stand and other custard stands operated by Franchisee during the season they are open for business.

**L. Dignified Advertising.**

Franchisee shall conduct all advertising programs using the Trademarks (as defined in Section 15) and in a dignified manner that will not detract from Franchisor's reputation.

**M. No Alcohol or Gambling.**

Franchisee shall not permit alcoholic beverages to be served nor gambling to take place at the Custard Stand.

**N. No Vending or Entertainment Machines.**

Franchisee shall not sell, display, or use on the premises of the Custard Stand vending machines (other than a cigarette machine and newspaper vending machines), games or any type, entertainment devices (including, without limitation, video games, slot machines, juke boxes, etc.), or products not included in the Meadows Original Frozen Custard System unless approved in writing by Franchisor.

**O. Health Classification and Maintenance of Standards.**

Franchisee shall operate and maintain the Custard Stand in a manner that will insure that the Custard Stand will obtain the highest health classification possible for restaurants of like kind from the governmental authorities that inspect restaurants in the area where the Custard Stand is operated. If Franchisee is not able to obtain such health classification, or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by Franchisor, then Franchisor may, at its sole option, but without any obligation to do so, place such trained personnel in the Custard Stand as Franchisor deems necessary to train Franchisee's operating personnel until it can obtain the highest health classification or meet said general standards. The personnel shall remain at the Custard Stand until the required health classification is obtained or until Franchisor, in its sole discretion, decides to remove them. Franchisee shall pay all costs of providing said personnel, including costs of transportation, meals, lodging, and their salary, wages or other compensation, including the cost of fringe benefits which shall be deemed to be twenty percent (20%) of their base compensation.

**P. Taxes and Indebtedness.**

Franchisee shall promptly pay when due all taxes levied and assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Custard Stand. 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 procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Custard Stand, or any improvements thereon.

**Q. Timely Payments.**

Franchisee agrees to pay when due all amounts which it owes to Franchisor or to others for supplies, equipment and other items used in the Custard Stand, all payments owed under leases or subleases and all payments owed under agreements with Franchisor.

**15. Trademarks.**

The term "Trademarks" as used herein refers to all words, symbols, insignia, devices, designs, trade names, service marks or combinations thereof used to identify the Meadows Original Frozen Custard System and the products sold and services performed in connection therewith. Included among the Trademarks presently used to identify the Meadows Original Frozen Custard system and the products sold and services performed in connection therewith, but not limited thereto, are the marks "Meadows" and "Meadows Original Frozen Custard." Franchisee shall not use any prefix or suffix with the Trademarks. Franchisor may, from time to time, advise Franchisee of additions or deletions to the Trademarks and the license granted herein shall be deemed modified by such additions or deletions. The license herein granted shall not be assignable or transferable in any manner nor shall Franchisee have the right to grant any sublicenses.

Franchisee understands and agrees that its right to use the Trademarks is limited to its use of the Trademarks in the operation of the Custard Stand at the Franchised Location. Franchisee further agrees not to use the Trademarks nor any variations thereof or marks or names confusingly similar thereto in any corporate name or in any manner not approved by Franchisor and not to permit the use of any other trade names, service marks or trademarks in conjunction with the Custard Stand without first obtaining Franchisor's written consent. If local laws or ordinances require that Franchisee file an affidavit of doing business under an assumed name or otherwise make a filing indicating that the Trademarks are being used as a fictitious or assumed name, Franchisee shall include in such filing or application therefor an indication that the same is made "as a Franchisee of The Meadows Franchise Systems, Incorporated, Hollidaysburg, Pennsylvania, 16648." Franchisee shall use the symbol ® with all registered trademarks and the symbol ™ with all pending registrations or other trademarks or service marks so as to protect same.

Franchisee agrees that nothing herein shall give to Franchisee any right, title or interest in the Trademarks (except the right to use the Trademarks in accordance with the terms of this Agreement), that the Trademarks are the sole property of Franchisor, that Franchisee shall not directly or indirectly contest the validity or Franchisor's ownership of the Trademarks and that any and all uses by Franchisee of the Trademarks and the goodwill arising therefrom shall inure exclusively to the benefit of Franchisor. Franchisee will not seek to register, reregister, assert claim to ownership of, license or allow others to use, or otherwise appropriate unto itself any Trademark or any mark or name confusingly similar thereto, or the goodwill symbolized by any of the foregoing except insofar as such action inures to the benefit of, and has the prior written approval of, Franchisor. Upon the termination or cancellation of this Agreement, whether by lapse of time, default, or otherwise, Franchisee agrees immediately and free of any expense to Franchisor to discontinue all use of the Trademarks; to remove all such Trademarks and all copies, replicas, reproductions or simulations thereof from the Custard Stand; and to take all necessary steps to assign, transfer and surrender to Franchisor (or otherwise place title in Franchisor) all Trademarks which

Franchisee may have used during the term of this Agreement or any renewal or extension thereof.

Franchisee shall promptly inform Franchisor in writing as to any infringement of the Trademarks. Franchisee shall not make any demand or serve any notice, orally or in writing, or institute any legal action or negotiate, compromise or settle any controversy with respect to any such infringement without first obtaining Franchisor's written consent. Franchisor shall have the right to bring such action or take such steps as it may deem advisable to prevent any such infringement and to join Franchisee as a party to any action in which Franchisor is or may be a party and as to which Franchisee is or would be a necessary or proper party. Franchisee shall also promptly notify Franchisor of any litigation (which term shall also include administrative or arbitration proceedings) instituted against Franchisor or Franchisee relating to the Trademarks. Franchisee agrees, with respect to the defense or prosecution of any litigation relating to the Trademarks which Franchisor undertakes, to execute any and all documents and to render such assistance as may, in the opinion of Franchisor's counsel, be reasonably necessary to carry out such defense or prosecution.

Franchisee recognizes that each of the Trademarks possesses a special, unique and extraordinary character which makes it difficult to assess the monetary damage which Franchisor would sustain in the event of unauthorized use. Franchisee expressly recognizes and agrees that irreparable injury would be caused to Franchisor by such unauthorized use and agrees that preliminary or permanent injunctive relief would be appropriate in the event of breach of this Section by Franchisee, provided that such remedy shall not be exclusive of other available legal or equitable remedies.

16. **Relationship Parties.**

Franchisee is not and shall not hold itself out as agent, legal representative, partner, subsidiary, joint venturer or employee of Franchisor. Franchisee shall have no right or power to, and shall not bind or obligate Franchisor in any way, manner or thing whatsoever, nor represent that it has any right to do so. There is no fiduciary relationship between Franchisor and Franchisee.

In all public records, in its relationship with other persons, and on letterheads and business forms Franchisee shall indicate its independent ownership of the Custard Stand and that it is solely a franchisee of Franchisor. Franchisee shall post a sign in a conspicuous location in the Custard Stand, which sign shall contain Franchisee's name and mailing address and shall state that the Custard Stand is operated by Franchisee under a franchise agreement with Franchisor. In the interest of maintaining uniformity, Franchisee agrees to purchase said sign through Franchisor and to reimburse Franchisor for the cost of obtaining same.

17. **Restrictions.**

A. **Noncompetition During the Term of this Agreement.**

Franchisee shall, not during the term of this Agreement, for or on behalf of himself, itself or others, without first obtaining Franchisor's written consent, directly or indirectly, own, maintain, engage in, acquire any interest in or operate any business which is similar in any material respect to the Custard Stand, including, without limitation, any business that sells frozen custard. Franchisor shall be entitled to obtain injunctive relief in addition to any other legal or equitable remedies it may have upon a breach of this Section 17.A.

B. **Confidentiality.**

Franchisee acknowledges that Franchisor owns the Meadows Original Frozen Custard System, which constitutes trade secrets of Franchisor, and that all materials or other information now or hereafter provided or disclosed to Franchisee regarding said System is disclosed to Franchisee in confidence, and Franchisee has no right to disclose any part of it to anyone who is not an employee of Franchisee.

Franchisee agrees not to disclose any trade secrets of Franchisor or to divert or attempt to divert

any business or customers of the Custard Stand to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other acts injurious or prejudicial to the goodwill associated with the Trademarks or the Meadows Original Frozen Custard System. Franchisor shall be entitled to obtain injunctive relief in addition to any other legal or equitable remedies it may have upon a breach of this Section 17.B.

C. **Noncompetition Following Expiration or Earlier Termination of this Agreement.**

Franchisee acknowledges that the Trademarks, the Meadows Original Frozen Custard System and the opportunities, associations and experience established and acquired by Franchisee hereunder are of considerable value. In consideration thereof, upon the expiration or the earlier termination of this Agreement, regardless of the cause of termination, and in addition to and not as a limitation of any other restrictions contained herein, Franchisee agrees that it shall not, for a period of twenty-four (24) months following the date this Agreement expires or is terminated, within ten (10) miles of the Franchised Location, directly or indirectly, for or on behalf of himself, itself, or others, without first obtaining Franchisor's written consent, own, maintain, engage in, acquire any interest in, or operate any business which is similar in any material respect to the Custard Stand, including, without limitation, any business that sells frozen custard.

If any part of this restriction is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable. In the event Franchisor files suit to enforce this Section 17.C., the above-referenced twenty-four (24) month period shall commence running upon the entry of a final, non-appealable judgment. Franchisor shall be entitled to obtain injunctive relief in addition to any other legal or equitable remedies it may have upon a breach of this Section 17.C.

D. **Exclusion of Certain Stock Ownership.**

Notwithstanding the provisions of Sections 17.A.-C., the ownership by Franchisee of less than one percent (1%) of the stock of a publicly held corporation engaged in a business similar to the Custard Stand shall not be deemed to violate this Section 17.

E. **Definitions.**

As used in this Section 17, the following terms shall have the following meanings:

(1) The term "Franchisee" shall include Franchisee and its affiliates. If Franchisee is a corporation, then such term shall include Franchisee and its stockholders, affiliates and officers. If Franchisee is a partnership, then such term shall include Franchisee and all partners (whether general or limited) and affiliates.

(2) The term "indirectly" shall include the acts of any member of Franchisee's family, household, estate, personal representatives or heirs that would be prohibited hereunder if carried out by Franchisee.

(3) The term "affiliate" shall include any entity in which Franchisee (or, if Franchisee is a corporation, then Franchisee and its officers and stockholders, or if Franchisee is a partnership then Franchisee and its partners, whether general or limited) owns any interest, whether legal or beneficial, of five percent (5%) or more.

(4) The term "stockholder" means any person who owns, legally or beneficially, at least five percent (5%) of stock, whether or not voting stock, in the corporate Franchisee.

18. **Interest.**

Any and all amounts that shall become due and owing from Franchisee to Franchisor under the

terms hereof shall bear interest from the date due until paid at the higher of (a) the rate of ten percent (10%) per year or (b) two (2) points above the Prime Rate as indicated in *The Wall Street Journal* on the first day of each calendar quarter for that calendar quarter during the calendar year, or at such lower rate as is required by law.

19. **Insurance.**

Franchisee shall be responsible for all loss or damage originating in or incurred in connection with the operations of the Custard Stand and for all claims or demands for damages to property or for injury, illness, or death of persons directly or indirectly resulting therefrom, and Franchisee agrees to indemnify, defend and save Franchisor harmless of and from any such claims, loss or damage. Franchisee shall at all times carry such insurance as may be required by terms of any lease on the premises where the Custard Stand is located, and Franchisee shall carry the following insurance:

A. Workers' Compensation or Stop Gap insurance containing a waiver of subrogation in favor of Franchisor executed by the insurance company and covering all costs, benefits liabilities under State Workers' Compensation and similar laws which may accrue in favor of any person employed by Franchisee and Employer's Liability Insurance with limits of not less than \$500,000. All of Franchisee's employees who participate in training programs run by Franchisor shall be on Franchisee's payroll at the time such training programs commence; and

B. Liability Insurance under a comprehensive general liability form that includes coverage for bodily injury, products, owned and non-owned automobile and property damage on an occurrence basis with coverage not less than \$1,000,000 umbrella/excess liability; and

C. Fire, vandalism, extended coverage and all risk (named exclusion) coverage with primary excess limits of not less than the full replacement value of the Custard Stand, its furniture, fixtures and equipment.

Franchisor may reasonably increase the minimal coverage required under paragraphs A.-D. above and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards or other relevant changes in circumstances. Any and all insurance obtained by Franchisee shall be placed with companies rated "B+ -- XII" or better by the Alfred M. Best Company survey of insurance companies. Franchisor and each Indemnitee (as defined in Section 29 hereof) shall be named as an additional insured under each of said policies (which shall provide that the coverage afforded applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each) without restrictions (which shall include Franchisor acting as franchisor and as a supplier of goods and services) and be furnished with copies of the policies or certificates therefor.

All policies of insurance required to be maintained by Franchisee hereunder shall be renewed (and certificates together with evidence of payment of premiums delivered to Franchisor) at least thirty (30) days prior to the respective expiration dates of existing policies of insurance. All such policies shall contain endorsements requiring the insurer to give Franchisor at least ten (10) days' written notice before terminating, canceling or making any changes in any such policy. None of the insurance policies obtained by Franchisee shall contain any provision which in any way limits or reduces coverage for Franchisee in the event of a claim by an Indemnitee (as defined in Section 29 hereof). The insurance coverage obtained by Franchisee shall extend to, and provide coverage for, all obligations assumed by Franchisee hereunder and all other items for which Franchisee is obligated to indemnify Franchisor under the terms of this Agreement.

20. **Transferability of Interest and Organization of Franchisee.**

A. **Transfer by Franchisor.**

Franchisor shall have the right to transfer or assign all or any part of its rights or obligations

herein to any person or legal entity.

**B. Transfer by Franchisee.**

(1) Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this Franchise in reliance on Franchisee's business and operational skills, financial capacity and personal character. Accordingly, Franchisee shall not sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Franchise or in Franchisee without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, of any interest in this Franchise or in Franchisee, not having the written consent of Franchisor shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Section 21.B. (4) hereof; and

(2) Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee or in this Franchise; provided, however, that prior to that time of transfer, Franchisor may, in its sole discretion, require that:

(a) Franchisee shall have first offered to sell such interest to Franchisor pursuant to Section 25 and that the same has been declined in the manner therein set forth; and

(b) All of Franchisee's accrued monetary obligations to Franchisor (and Franchisor's subsidiaries and affiliates) and all other outstanding obligations related to the Custard Stand (including but not limited to bills from suppliers, employee wages, taxes, judgments and any required governmental reports, returns, affidavits or bonds) shall have been satisfied. Franchisor reserves the right to require that a reasonable sum of money be placed in escrow to ensure that all such obligations not previously satisfied will be satisfied; and

(c) The transferor shall execute a general release under seal, in a form satisfactory to the Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates and their respective officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement, any other agreements between Franchisor and Franchisee and Franchisee's operation of the Custard Stand and other custard stands which Franchisee has been licensed to operate; and

(d) The transferee shall:

(i) Demonstrate to Franchisor's satisfaction that it meets Franchisor's managerial, operational and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the business franchised herein (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the business franchised herein; and

(ii) Execute such then-current standard form franchise agreements and other ancillary agreements (all of which may differ from this Agreement) as Franchisor may require for the Custard Stand for a term ending on the date of expiration of this Agreement; and

(iii) At its expense and upon such other terms and conditions as Franchisor may reasonably require, the persons identified in preceding Section 8.A. shall complete Franchisor's initial training program required for new franchisees; and

(iv) Pay Franchisor Five Thousand Dollars (\$5,000) for its legal, training, and other expenses in connection with the transfer of each custard stand being transferred.

**C. Transfer to Franchisee's Corporation.**

In the event Franchisee is an individual or partnership and desires to transfer this Agreement to a corporation formed solely for the convenience of ownership, Franchisee must obtain Franchisor's prior written consent, which consent to such transfer may, in Franchisor's sole discretion, be conditioned on the following requirements:

- (1) The corporation shall be newly organized; and
- (2) The individual Franchisee or, if Franchisee is a partnership, the partners shall own all of the stock of the transferee corporation; and
- (3) The Operator (as defined in Section 14.K. and Exhibit B) shall own at least five percent (5%) of the voting stock of the transferee corporation and, except as may be otherwise required by law, shall act as its chief operating officer; and
- (4) The securities of the corporate franchisee shall at no time be sold in connection with a public offering; and
- (5) Unless prohibited by law, each stock certificate of the corporate franchisee shall have conspicuously endorsed upon its face the following legend: "Any transfer or assignment of the stock of this corporation is subject to the conditions and restrictions contained in The Meadows Original Frozen Custard Unit Franchise Agreement(s) between the corporation and The Meadows Franchise Systems, Incorporated;" and
- (6) Franchisee and the corporate franchisee shall execute an assignment document in the form specified by Franchisor, which shall contain personal guarantees of the obligations contained herein by all stockholders of the corporate franchisee; and
- (7) Copies of the following documents shall have been delivered to Franchisor at least ten (10) days prior to the assignment: (a) the corporate Franchisee's Articles of Incorporation, By-Laws, and other governing documents; (b) a photocopy of a sample stock certificate containing the legend required by Section 20.C (5); (c) a copy of the resolution of the corporation's Board of Directors authorizing the assumption of this Franchise, which copy shall be certified as correct by the corporate Secretary; and (d) a copy of a fully executed buy/sell agreement providing for the orderly transfer of ownership of the corporate Franchisee upon the death or withdrawal of any stockholder.

**D. Transfer Upon Death or Permanent Incapacity.**

Upon the death or permanent incapacity of the individual Franchisee (or any partner of a partnership Franchisee or any stockholder of a corporate Franchisee), the executor, administrator, personal representative or trustee of such person shall have a reasonable time to transfer the deceased's interest in this Franchise or in Franchisee. Such transfer shall be subject to all terms and conditions for transfers contained in this Agreement.

**E. Corporate Franchisee.**

If Franchisee is a corporation:

- (1) The corporation shall be newly organized; and
- (2) Franchisee represents and warrants that it is a corporation duly organized and validly existing and in good standing under the laws of the state of its incorporation and is qualified to do business in the state in which the Custard Stand is located. Franchisee has delivered to Franchisor a copy of its corporate charter or certificate of incorporation and current good standing certificates from all states in which Franchisee is incorporated or qualified to do business; and

(3) The number of authorized shares of Franchisee which have been issued and the name, address, number of shares owned (legally or beneficially) and office held by each stockholder are listed on Exhibit B; and

(4) The Operator (as defined in Section 14.K. and Exhibit B) shall own at least five percent (5%) of the voting stock of the corporate Franchisee and, except as may be otherwise required by law, shall act as its chief operating officer, and

(5) Unless prohibited by law, each stock certificate of Franchisee shall have conspicuously endorsed upon its face the following legend: "Any transfer or assignment of the stock of this corporation is subject to the conditions and restrictions contained in The Meadows Original Frozen Custard Unit Franchise Agreement(s) between the corporation and The Meadows Franchise Systems, Incorporated;" and

(6) The securities of Franchisee shall at no time be sold in connection with a public offering; and

(7) The proposed transfer of any interest in the corporate Franchisee shall require Franchisor's prior written consent pursuant to Section 20.B. hereof; and

(8) Copies of the following documents shall have been delivered to Franchisor prior to the Effective Date of this Agreement: (a) the corporation's Articles of Incorporation, By-Laws and other governing documents; (b) a photocopy of the sample stock certificate containing the legend required by preceding Section 20.E. (5); (c) a copy of a resolution of the corporation's Board of Directors authorizing the execution of this Agreement; and (d) a copy of a fully executed buy/sell agreement providing for the orderly transfer of ownership of the corporate Franchisee upon the death or withdrawal of any stockholder; and

(9) Each stockholder of the corporate Franchisee shall have executed the Guarantee attached to this Agreement.

**F. Partnership Interests.**

If Franchisee is partnership:

(1) The partnership shall be newly organized; and

(2) The name, address and partnership interest of each partner, whether general or limited, is listed on Exhibit B; and

(3) The Operator (as defined in Section 14.K. and Exhibit B) shall have a partnership share of at least five percent (5%) and shall be a general partner; and

(4) The proposed transfer of any partnership interest in Franchisee shall require Franchisor's prior written consent pursuant to Section 20.B. hereof; and

(5) Unless prohibited by law, each partnership share shall have conspicuously endorsed upon its face the following legend: "Any transfer or assignment of a partnership interest in this partnership is subject to the conditions and restrictions contained in The Meadows Original Frozen Custard Unit Franchise Agreement(s) between the partnership and The Meadows Franchise Systems, Incorporated;" and

(6) Copies of the following documents shall be delivered to Franchisor prior to the Effective Date of this Agreement: (a) the Partnership Agreement (which shall provide for the orderly

transfer of ownership in the Franchisee upon the death or withdrawal of any partner); and (b) a photocopy of a sample partnership share containing the legend required by Section 20.F. (5); and

(7) Each partner, whether general or limited, shall have executed the Guarantee attached to this Agreement.

G. **Subfranchisees Not Permitted.**

Franchisee may not license others to use the Meadows Original Frozen Custard System.

H. **Non-Waiver of Claims.**

Franchisor's consent to transfer of any interest in the Franchise granted herein or in Franchisee shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee, nor shall it be deemed a waiver of Franchisor's continuing right to give or withhold consent to any future transfers.

21. **Termination By Franchisor.**

A. **Automatic Termination Without Notice.**

Franchisor may, at its option, without prejudice to any and all other rights and remedies it may have hereunder or under applicable law, terminate this Agreement without notice to Franchisee if:

(1) Franchisee is adjudicated a bankrupt or becomes insolvent, or has a trustee or receiver appointed by a court of competent jurisdiction for all or any part of Franchisee's property; or

(2) A plan of liquidation, reorganization, composition or arrangement of Franchisee's affairs is sought to be instituted for or against Franchisee, whether or not the same is subsequently approved by a court of competent jurisdiction, it being understood that in no event shall this Agreement or any right or interest hereunder be deemed to be an asset in any insolvency, receivership, bankruptcy, composition, liquidation, arrangement or reorganization proceeding; or

(3) An involuntary proceeding is filed under any bankruptcy laws or other laws and such proceeding is not dismissed within ninety (90) days thereafter, or

(4) Franchisee makes a general assignment for the benefit of creditors.

B. **Termination Upon Notice.**

Franchisor may, at its option, without prejudice to any and all other rights and remedies it may have hereunder or under applicable law, terminate this Agreement and the Franchise granted hereunder by providing Franchisee written notice of termination (and such termination shall be effective upon the mailing of such notice), upon the happening of any of the following occurrences:

(1) Franchisee fails to satisfy any judgment against Franchisee within thirty (30) days after the judgment is entered and becomes final; or

(2) Franchisee falsifies any report required to be furnished Franchisor hereunder or has made a material misrepresentation in connection with the approval of Franchisee as a franchisee; or

(3) Franchisee ceases to operate the Custard Stand for a period of five (5) consecutive days, unless such business cessation is during the season in which the Custard Stand is not required to be open (in accordance with Section 14.F. hereof) or is otherwise approved in writing by Franchisor; or

(4) Any purported assignment or transfer of any interest in this Franchise or in Franchisee occurs, by operation of law or otherwise, without the written consent of Franchisor, as provided in Section 20.B. hereof; or

(5) If Franchisee (or, if Franchisee is a corporation, then Franchisee or any of its officers or stockholders, or, if Franchisee is a partnership, then Franchisee or any partner therein, whether general or limited) is convicted of, or pleads nolo contendere to, a felony charge as defined in the applicable law; or

(6) The condition or operation of the Custard Stand is, in the reasonable opinion of Franchisor, a threat or danger to public health or safety; or

(7) Franchisee loses for any cause whatsoever the right of possession as owner or lessee of the real property on which the Custard Stand is located. Notwithstanding the foregoing, if Franchisee is not otherwise in default hereunder and such right of possession is lost for reasons beyond the control of Franchisee, then this Agreement shall not be terminated if (a) within fifteen (15) days after such loss of possession Franchisee applies in writing to Franchisor to relocate; (b) within sixty (60) days after such loss Franchisor and Franchisee are able to agree on designation of a new location within the same territory as the former location; and (c) Franchisee agrees to construct and equip a Custard Stand at the approved new location in accordance with the then-current construction specifications of Franchisor within two hundred seventy (270) days after the designation of such new location. All other terms of this Agreement not specifically modified herein shall apply to the construction, maintenance and operation of such new Custard Stand; or

(8) The Custard Stand is rendered inoperable by any casualty and Franchisee fails to restore the Custard Stand to full operation within a reasonable period of time, but not more than two hundred and ten (210) days from the date of such casualty; or

(9) Franchisee (or an affiliate of Franchisee, as defined in Section 17.E. hereof) remains in default beyond the applicable cure period under any other agreement with Franchisor (or any subsidiary or affiliate of Franchisor); or

(10) If periodic sampling and tests of the formula mix for the frozen custard or the frozen yogurt in the Custard Stand by Franchisor (in accordance with Section 14.C. hereof) determine that Franchisee has intentionally altered or modified the formula mix, then upon the occurrence of a sampling or test demonstrating that the formula mix has been intentionally altered or modified for the second (2<sup>nd</sup>) time.

C. **Termination Upon Expiration of Cure Period Stated in Notice.**

If:

(1) Franchisee fails to perform in accordance with any of the terms and conditions contained in this Agreement (except for those items listed in preceding Sections 21.A.-B.) and such cannot be reasonably corrected within said period, then if it is not corrected within such additional time as Franchisor, in the sole exercise of its discretion, may afford, assuming Franchisee proceeds with reasonable diligence); provided, however, that if Franchisee has received from Franchisor two (2) or more notices of default within the previous twelve (12) months, then a notice of termination may be sent hereunder without any opportunity to correct the default; or

(2) Franchisee defaults in the payment of any indebtedness to Franchisor when same becomes due and payable and Franchisee fails to pay said amount within ten (10) days after receiving written notice of default; provided, however, if Franchisee has received from Franchisor two (2) or more notices of default within the previous twelve (12) months, then a notice of termination may be sent hereunder without any opportunity to correct the default;

THEN, unless Franchisor shall notify Franchisee otherwise, this Agreement and the Franchise granted hereunder shall terminate, without prejudice to any and all other rights and remedies Franchisor may have hereunder or under applicable law.

**D. Termination Following Inspection.**

Franchisor intends to periodically conduct inspections (both announced and unannounced) of the Custard Stand to evaluate compliance by Franchisee with The Meadows Original Frozen Custard System and this Agreement ("Inspection"). Franchisee will be advised of the results of each Inspection. If Franchisee fails to obtain a passing score on an Inspection, Franchisor may notify Franchisee that Franchisee must correct the unsatisfactory conditions disclosed by the Inspection within thirty (30) days. If Franchisor makes a second Inspection following the expiration of such thirty (30) day period, and if Franchisee fails to obtain a passing score on the second Inspection, such failure shall constitute a default under this Agreement. Franchisor may then notify Franchisee that Franchisee is in default hereunder and that this Agreement will terminate if Franchisee does not obtain a passing score on a third Inspection to be made following the expiration of thirty (30) days after such notice. If Franchisor makes a third Inspection following the expiration of such thirty (30) day period, and if Franchisee fails to obtain a passing score on the third Inspection, Franchisor may terminate this Agreement and the Franchise granted herein by providing Franchisee written notice of termination (and such termination shall be effective upon the mailing of such notice).

**E. Statutory Limitations.**

Notwithstanding the provisions of preceding Sections 21.A.-D., in the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over the Franchise granted herein requires a notice period prior to termination longer than set forth in preceding Sections 21.A.-D., this Agreement shall be deemed amended to conform to the minimum notice period required by such applicable laws or regulations.

**F. Litigation.**

If suit is brought by Franchisor on account of any default by Franchisee, Franchisee shall pay to Franchisor, in addition to any amounts found to be due and owing, all expenses of such suit including attorneys' fees. During the pendency of any suit between Franchisor and Franchisee relating to this Agreement or the parties' performance hereunder, Franchisee shall be obligated to continue paying Franchisor all monetary obligations required of Franchisee herein.

**22. Termination by Franchisee.**

Franchisee may terminate this Agreement prior to the expiration hereof by providing Franchisor written notice of its intent to terminate; provided that Franchisee complies with the requirements of Section 23 hereof; and provided further that Franchisee shall have executed a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates and their respective officers, directors, shareholders, agents and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and claims arising out of, or relating to, this Agreement, any other agreements between Franchisor and Franchisee and Franchisee's operation of the Custard Stand and other custard stands which Franchisee has been licensed to operate.

**23. Effect of Expiration or Earlier Termination of this Agreement.**

Upon the expiration or earlier termination of this Agreement, whether by reason of lapse of time, default in performance or other cause or contingency:

A. Franchisor shall have the option, but not the obligation, to purchase all equipment at the Custard Stand used in the production of frozen custard or frozen yogurt and all unopened frozen custard and frozen yogurt formula mix. The cost for such equipment shall be the undepreciated value thereof based upon a ten (10) year straight line depreciation beginning on the date Franchisee purchased each item of such equipment, and the cost for such frozen custard or frozen yogurt formula mix shall be the price paid by Franchisee. Franchisor may exercise such option by providing Franchisee written notice of its intent thereof within ten (10) days after the date of termination or expiration of this Agreement; and

B. Franchisee and its affiliates (and, if Franchisee is a corporation, then Franchisee and its stockholders, affiliates and officers, and, if Franchisee is a partnership, then Franchisee and its partners (whether general or limited) and affiliates) shall continue to abide by the restrictions contained in Sections 17.B.-C. hereof and shall not, directly or indirectly, take any action violative of such restrictions; and

C. Franchisee shall promptly pay Franchisor all sums due and owing to Franchisor; and

D. Franchisee shall promptly return to Franchisor all Operating Manuals furnished to Franchisee and any copies thereof together with all other materials containing trade secrets, operating instructions or business practices of the Meadows Original Frozen Custard System; and

E. Franchisee shall immediately discontinue all use of the Trademarks and of any and all signs, paper goods or any other objects bearing said Trademarks, or any reference whatsoever thereto; and

F. Franchisee shall promptly make such alterations or modifications to the Custard Stand (including without limitation interior and exterior repainting) as may be necessary to distinguish the Custard Stand from its former appearance and also make such specific additional changes as Franchisor may reasonably request for that purpose. All such changes may be set forth in a deidentification policy issued by Franchisor and revised from time to time. If Franchisee fails to promptly take such action, Franchisor and its agents shall have the right, but not the obligation, to enter the premises of the Custard Stand without liability for trespass and take the above-described actions. In such event, Franchisee shall pay Franchisor the reasonable cost incurred by Franchisor in taking the above-described actions; and

G. Franchisee shall promptly execute any and all documents required by Franchisor which are necessary to effectuate termination of Franchisee's license and interest in and to the use of the Trademarks and the Meadows Original Frozen Custard System; and

H. Franchisee shall immediately take such action as may be necessary to cancel any fictitious or assumed name registrations which contain any Trademarks; and

I. Franchisee and its affiliates (as both terms are defined in Section 17.E.) shall not (1) operate or do business under any name or in any manner that might tend to give the general public the impression that this Agreement is still in force or that Franchisee is connected in any way with Franchisor, or has any right to use the Meadows Original Frozen Custard System or the Trademarks, (2) make use of or avail itself of any of the trade secrets of, or information received from, Franchisor or disclosed or reveal any such information or any portion thereof to anyone not employed by Franchisor or its franchisees, and (3) assist anyone not licensed to use the Meadows Original Frozen Custard System in the construction or equipping of any premises incorporating the distinctive features or equipment layout that Franchisor has originated and developed and which are identifying characteristics of businesses using the Meadows Original Frozen Custard System.

#### 24. **Approvals and Waivers.**

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 shall be obtained in writing, except as otherwise provided in Sections 11.B.-C. hereof. 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 thereof.

No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind; nor shall any delay or omission of Franchisor to exercise any right arising from any such default affect or impair Franchisor's rights as to such default or any future default. Any use by Franchisee of the Meadows Original Frozen Custard System, or any part thereof, at any place other than at the Franchised Location shall not give Franchisee any rights not granted hereunder.

**25. Franchisor's Right to First Refusal.**

If, during the term of this Agreement, Franchisee shall receive a bona fide offer and desires to sell, transfer or assign any interest in the Custard Stand or in Franchisee, it shall offer the same to Franchisor in writing at the same price and on the same terms, which offer Franchisor may accept at any time within thirty (30) days. The offer to Franchisor shall state the cash value of the offer received by Franchisee, and Franchisor may exercise its purchase option by paying Franchisee such equivalent cash value. If the offer received by Franchisee involves assets other than the Custard Stand, the offer to Franchisor shall state the cash value of that portion of the offer related to the Custard Stand, and Franchisor may exercise its purchase option by paying Franchisee the cash value related to the Custard Stand. The time period for Franchisor to decide whether to accept any such offer commences upon Franchisor's receipt of an enforceable contract containing an offer to purchase any interest in the Custard Stand or in Franchisee.

If Franchisee receives a bona fide offer to sell, transfer or assign a majority of its interest in the Custard Stand, but less than Franchisee's entire interest, Franchisor shall have the option to purchase Franchisee's entire interest in the Custard Stand in accordance with the foregoing procedure for a price equal to the price offered multiplied by that factor necessary to reflect the purchase of Franchisee's entire interest.

If Franchisor declines or does not accept any such offer within the specified period then, provided Franchisee complies with Section 20.B. hereof (if such sale is to a transferee franchisee) or provided Franchisee complies with Sections 22, 23 and 27 hereof (if such sale is not to a transferee franchisee), Franchisee may sell, transfer or assign such interest, as the case may be, but not at a lower price nor on more favorable terms than have been offered to Franchisor. In no event, however, shall Franchisee offer such interest for sale, transfer or assignment at public auction, nor at any time shall an offer be made to the public to sell, transfer or assign such interest through the medium of advertisement, either in the newspapers, or otherwise, without having first obtained the written consent of Franchisor to such advertisement or publication.

**26. Option to Purchase.**

If this Agreement is terminated or cancelled by reason of lapse of time, default in performance or for any reason, other than the transfer of this Agreement to another franchisee (in accordance with Section 20.B.) or any other sale triggering Franchisor's right of first refusal (in accordance with Section 25), Franchisee must offer to sell its interest in the Custard Stand to Franchisor. Such offer shall be in writing and Franchisor shall have sixty (60) days to respond to the offer. If upon such offer the parties are unable to agree as to a purchase price and terms, the fair value of Franchisee's interest in the Franchised Location shall be determined by three appraisers, Franchisee selecting one and Franchisor selecting one. The two appraisers so chosen shall select a third appraiser. The value set by the appraisers so chosen shall be conclusive, and the appraisers shall exclude from their decisions as to fair value anything for goodwill or going concern value. Franchisor shall have the right, at any time within thirty (30) days after being advised in writing of the decision of the appraisers as aforesaid, to purchase Franchisee's interest in the Franchised Location at the valuation fixed as aforesaid by the appraisers. The cost of the appraisals shall be shared equally by the parties.

27. **Restriction on Use of Franchised Location.**

Following the termination or earlier expiration of this Agreement (unless Franchisee has transferred its rights to a new franchisee in accordance with Section 20.B. hereof), Franchisee shall not permit the Franchised Location to be used, for a period of twenty-four (24) months after the right of Franchisor to purchase under Sections 25 and 26 has expired, for any food service business which is similar in any material respect to the Custard Stand, including, without limitation, any business selling frozen custard. In the event Franchisor files suit to enforce this Section 27, the above-referenced twenty-four (24) month period shall commence running upon the entry of a final, non-appealable judgment.

28. **Representations by Franchisee.**

Franchisee represents, acknowledges and warrants to Franchisor that:

A. Franchisee has read this Agreement in its entirety and has been thoroughly advised with regard to the terms and conditions of this Agreement by counsel of Franchisee's own choosing; and

B. Franchisee has not received from Franchisor any representation of Franchisee's potential sales, expenses, income, profit or loss at the Custard Stand; and

C. Franchisee understands that Franchisor makes no express or implied warranties or representations that Franchisee will achieve any degree of success in the operation of the Custard Stand and, while Franchisor will provide Franchisee with training, advice and consultation as provided in this Agreement, success in the operation depends ultimately on Franchisee and on other factors, including, but not limited to, marketing, economic conditions, financial considerations and competition; and

D. Franchisee understands there may never be a National Advertising Program as described in Section 11.A. hereof or a Regional Co-op as described in Section 11.B. hereof and that such programs, if implemented, may be discontinued from time to time; and

E. All information provided Franchisor in connection with the approval of Franchisee as a franchisee is truthful and accurate; and

F. Franchisee acknowledges that it received Franchisor's Franchise Disclosure Document at least fourteen (14) calendar days prior to execution of this Agreement and payment of any monies to Meadows and that it received this Franchise Agreement in the form actually executed at least seven (7) calendar days prior to the date of its execution by Franchisee; and

G. Franchisee understands that the license granted herein is nonexclusive and that Franchisor or another franchisee may operate a custard stand at any location other than a location within Franchisee's exclusive territory; and

H. Franchisee understands that Franchisor may in the future sell frozen custard and/or frozen yogurt through distribution outlets other than custard stands and that nothing in this Agreement shall be deemed to restrict Franchisor from so doing; and

I. Franchisee understands that in the future Franchisor may operate and franchise other restaurant operations under various trade names and that nothing in this Agreement shall be deemed to restrict Franchisor from operating or franchising any restaurant or other operation under any trade name at any location.

29. **Indemnification.**

A. Franchisee shall, at all times, indemnify and hold harmless (to the fullest extent permitted by law) Franchisor, its corporate affiliates, successors and assigns and their respective directors, officers,

employees, agents and representatives (collectively "Indemnities") from and against all "losses and expenses" (as defined below) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal) or any settlement thereof (whether or not a formal proceeding or action has been instituted) actually or allegedly, directly or indirectly, arising or resulting from or connected with (1) Franchisee's performance or failure of performance of this Agreement; (2) all allegations that Franchisee materials and/or communications prepared by or distributed by or through Franchisee constitute (a) libel, slander, and/or defamation; (b) patent infringement, trademark infringement or dilution, unfair competition, or infringement of any statutory copyright, common law right, title or slogan; (c) piracy, plagiarism, the misappropriation of another's ideas or unfair competition; and/or (d) invasion of rights of privacy or rights of publicity; (3) all purchases, contracts, debts and/or obligations made by Franchisee; (4) the omission or commission of an act, lawful or unlawful, by Franchisee or any of Franchisee's agents or employees, whether or not such act is within the scope of employment of such agents or employees; (5) the failure of Franchisee to comply with any applicable law, ordinance, rule or regulation; and/or (6) inquiries and/or investigations of any governmental agency.

B. Franchisee agrees to give Franchisor notice of any such action, suit, proceeding, claim, demand, inquiry or investigation. 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 of any such action, suit, proceeding, claim, demand, inquiry or investigation. Such an undertaking by Franchisor shall, in no manner or form, diminish Franchisee's obligation to indemnify and hold harmless Indemnities.

C. In order to protect persons or property or its reputation or goodwill or the reputation or goodwill of others, Franchisor may, at any time and without notice, as it, in its sole judgment deems appropriate, order, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in Franchisor's sole judgment, there are reasonable grounds to believe that: (1) any of the acts or circumstances enumerated in Section 29.A. hereof have occurred; or (2) any act, error or omission of Franchisee may result, directly or indirectly, in damage, injury or harm to any person or any property.

D. All losses and expenses incurred under this Section 29 shall be chargeable to and paid by Franchisee pursuant to its obligations of indemnity hereunder, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense. As used in this Section, the phrase "losses and expenses" shall include, but not be limited to, all losses; compensatory, exemplary or punitive damages; fines; charges; costs; expenses; lost profits; attorneys' fees; court costs; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; costs of, or resulting from, delays; financing; costs or advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

E. Indemnities do not assume any liability whatsoever for acts, errors or omissions of those with whom Franchisee may contract, regardless of the purpose. Franchisee shall hold harmless and indemnify Indemnities for all losses and expenses which may arise out of any acts, errors or omissions of these third parties.

F. Under no circumstances shall Indemnities be required or obligated to seek recovery or otherwise mitigate their losses in order to maintain a claim against Franchisee. Franchisee agrees that the failure to pursue such recovery or mitigate such loss shall in no way reduce the amounts recoverable by Indemnities from Franchisee.

G. This Section 29 shall not apply to any legal actions instituted by Franchisee against Franchisor (but it shall apply to any counterclaims filed by Franchisor) and any legal actions by a third party challenging Franchisee's proper use of the Trademarks at the Franchised Unit. In addition, Franchisee shall not be liable for damage to third parties which is caused by the active and primary negligence of Franchisor or its respective agents or employees.

30. **Entire Agreement.**

This Agreement and the Exhibits hereto contain the entire agreement between the parties hereto; there are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties hereto other than those set forth herein. No agreement of any kind relating to the matters covered by this Agreement shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties. Nevertheless, the representations made by Franchisee in connection with approval of Franchisee as a franchisee will survive the execution of this Agreement and any material misrepresentation by Franchisee therein shall constitute grounds for termination of this Agreement without opportunity to cure pursuant to Section 21.B. (2) hereof.

31. **Notices.**

All notices required or permitted to be given hereunder shall be in writing and shall be deemed to be properly served if personally delivered or sent by the United States registered, certified, or express mail, postage prepaid, return receipt requested, (a) if to Franchisee, addressed to Franchisee at the address of the Custard Stand or at the address for Franchisee first above written or at such other address as Franchisee may have designated from time to time by written notice to Franchisor, and (b) if to Franchisor, addressed to Franchisor at the address first above written or at such other address as Franchisor may have designated from time to time by written notice to Franchisee. Except as otherwise provided herein, the date of service for notices shall be the date such notices are received (as indicated by the return receipt or otherwise) or first refused, if that be the case.

32. **Governing Law and Forum; Limitations.**

This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania. Any legal action or proceeding brought or instituted with respect to any dispute or disagreement arising hereunder or with respect to any breach of the terms hereof shall be brought or instituted within a period of one (1) year from the date of discovery of the conduct that is the basis of the legal action or proceeding and shall be brought or instituted in the state or federal courts for Blair County, Pennsylvania.

33. **Effect of State Laws; Severability.**

If any of the provisions of this Agreement are held by a court of competent jurisdiction to be inconsistent with applicable state or federal law, then the state or federal law shall apply. If any term or provision hereof shall to any extent be held invalid or unenforceable, the remaining terms and provisions hereof shall not be affected thereby, but each term and provision shall be valid and enforced to the fullest extent permitted by law. In the event any material term hereof shall be stricken or declared invalid or unenforceable, Franchisor reserves the right to terminate this Agreement at its sole option.

*[signatures appear on next page]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of Effective Date first above written.

FRANCHISOR:

Attest:

THE MEADOWS FRANCHISE SYSTEMS, INC.

\_\_\_\_\_  
Secretary

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

Attest/Witness:

FRANCHISEE:

\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_

\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_

**MARYLAND AMENDMENT TO FRANCHISE AGREEMENT**

The Franchise Agreement for **The Meadows Franchise Systems, Inc.** for use in the State of Maryland is hereby amended as follows:

Additions: The following provisions are added to the Franchise Agreement:

**A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.**

**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.**

**The General Release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.**

Deletions: Items 28.A, 28.B, and 28.C of the Franchise Agreement are deleted.

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement as of the day and year first hereinabove written.

FRANCHISEE:

Attest/Witness:

\_\_\_\_\_

\_\_\_\_\_

FRANCHISOR:

Attest:

The Meadows Franchise Systems, Inc.

\_\_\_\_\_

By: \_\_\_\_\_  
Steven Gardner, President

## **NEW JERSEY AMENDMENT TO FRANCHISE AGREEMENT**

The Franchise Agreement for **The Meadows Franchise Systems, Inc.** for use in the State of New Jersey is hereby amended as follows:

Additions: The following provisions are added to the Franchise Agreement:

**In the event that Franchisor terminates, cancels or fails to renew the franchise, Franchisor shall provide written notice setting forth all of the reasons for such termination, cancellation, or intent not to renew to Franchisee at least 60 days in advance of such termination, cancellation, or failure to renew, except (1) where the alleged grounds are voluntary abandonment by Franchisee of the franchise relationship in which event the aforementioned written notice may be given 15 days in advance of such termination, cancellation, or failure to renew; and (2) where the alleged grounds are the conviction of Franchisee in a court of competent jurisdiction of an indictable offense directly related to the business conducted pursuant to the franchise in which event the aforementioned termination, cancellation or failure to renew may be effective immediately upon the delivery and receipt of written notice of same at any time following the aforementioned conviction.**

**Franchisor shall not terminate, cancel or fail to renew the franchise without good cause. Good cause for terminating, canceling, or failing to renew the franchise shall be limited to failure by Franchisee to substantially comply with those requirements imposed upon him by the franchise.**

**Franchisee shall not transfer, assign or sell a franchise or interest therein to another person unless Franchisee shall first notify Franchisor of such intention by written notice setting forth in the notice of intent the prospective transferee's name, address, statement of financial qualification and business experience during the previous 5 years. Franchisor shall within 60 days after receipt of such notice either approve in writing to Franchisee such sale to proposed transferee or by written notice advise Franchisee of the unacceptability of the proposed transferee setting forth material reasons relating to the character, financial ability or business experience of the proposed transferee. If Franchisor does not reply within the specified 60 days, Franchisor's approval is deemed granted. No such transfer, assignment or sale shall be valid unless the transferee agrees in writing to comply with all the requirements of the franchise then in effect.**

**Any release, assignment, novation, waiver or estoppel to which Franchisee assents shall be inapplicable to any liability imposed under New Jersey's Franchise Practices Act.**

**Nothing in this Franchise Agreement shall be interpreted to:**

- 1. Prohibit directly or indirectly the right of free association among franchisees for any lawful purpose.**
- 2. Require or prohibit any change in management of any franchisee unless such requirement or prohibition of change shall be for good cause, which cause shall be stated in writing by Franchisor.**
- 3. Restrict the sale of any equity or debenture issue or the transfer of any securities of a franchise or in any way prevent or attempt to prevent the transfer, sale or issuance of equity securities or debentures to employees, personnel of the franchisee, or spouse, child or heir of an owner, as long as basic financial requirements of Franchisor are complied with, and provided any such sale, transfer or issuance does not have the effect of accomplishing a sale or transfer of**

**control, including, but not limited to, change in the persons holding the majority voting power of the franchise. Franchisee shall provide prior written notice of any change of ownership to Franchisor.**

- 4. Impose unreasonable standards of performance upon Franchisee.**
- 5. Provide any term or condition in any lease or other agreement ancillary or collateral to the franchise, which term or condition directly or indirectly violates New Jersey's Franchise Practices Act.**

**Franchisee may bring an action against Franchisor for violation of New Jersey's Franchise Practices Act in the Superior Court of the State of New Jersey.**

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement as of the day and year first hereinabove written.

FRANCHISEE:

Attest/Witness:

\_\_\_\_\_

\_\_\_\_\_

FRANCHISOR:

Attest:

\_\_\_\_\_

The Meadows Franchise Systems, Inc.

By: \_\_\_\_\_  
Steven Gardner, President

**GUARANTEE**

The undersigned, each of whom owns (or is married to the owner of) an interest in Franchisee, do hereby consent, agree to and do hereby authorize the execution and delivery or assumption of the foregoing Franchise Agreement by Franchisee and agree that the provisions contained in said Franchise Agreement shall be binding upon each of them individually to the same extent as if they were personally named as Franchisee under said Franchise Agreement, and, further, in consideration of the execution of said Franchise Agreement by Franchisor, they do hereby unconditionally and irrevocably guarantee the performance of each and every covenant and agreement of Franchisee as contained in said Franchise Agreement. The undersigned further agree that Franchisor may seek to enforce the terms of this Guarantee against any one or more of the undersigned without instituting suit against Franchisee, without joining Franchisee in any suit against the undersigned and without joining all of the undersigned in any suit. Each of the undersigned has read said Franchise Agreement in full.

The undersigned agree that their obligations under this Guarantee shall remain in full force and effect and shall not be altered or released by (a) assignment or other transfer of the Franchise Agreement by either party, or (b) amendment of the Franchise Agreement, or (c) any release, accommodation or waiver granted by Franchisor to Franchisee or any successor of Franchisee, or any other guarantor.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness

**EXHIBIT A**

**FRANCHISED LOCATION**

The rights granted to Franchisee under the Franchisee Agreement to which this Exhibit is attached shall be restricted to one (1) Custard Stand located at the following address:

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**EXHIBIT B**

**CORPORATE OWNERSHIP**

If Franchisee is a corporation, the number of authorized shares of Franchisee which have been issued is \_\_\_\_\_ and the name, address, number of shares owned (legally or beneficially) and office held by each shareholder is as follows:

<b><u>Name</u></b>	<b><u>Address:</u></b>	<b><u>No. of Shares</u></b>	<b><u>Office Held</u></b>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

The following named shareholder shall serve as the Operator:

**PARTNERSHIP INTERESTS**

If Franchisee is a partnership, the name, address and partnership interest of each partner, whether general or limited, is as follows:

<b><u>Name</u></b>	<b><u>Address</u></b>	<b><u>Partnership Interest</u></b>
_____	_____	_____
_____	_____	_____
_____	_____	_____

It is acknowledged and agreed that each and every partner has the authority to act for and legally bind the partnership. All notices relating to this Agreement, however, need only be sent to the following identified person who shall also be the Operator:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT C.3**

**GENERAL RELEASE**

## General Release

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, \_\_\_\_\_ (“Releasor”), does hereby remise, release, and forever discharge \_\_\_\_\_ (“Releasee”), maintaining an address at \_\_\_\_\_,

Releasee’s agents, servants, successors, heirs, executors, administrators and personal representatives, of and from all, and all manner of, actions, causes of actions, suits, proceedings, debts, dues, contracts, judgments, damages, claims, and demands whatsoever in law or equity, which Releasor ever had, now has, or which Releasor’s heirs, executors, administrators or personal representatives hereafter can, shall, or may have for or by reason of any matter, cause, or thing whatsoever, from the beginning of time to the date of the execution of this release.

IN WITNESS WHEREOF, I have executed this Release this day of

\_\_\_\_\_  
(handwritten date by Releasor)

\_\_\_\_\_  
(Signature of Releasor)

\_\_\_\_\_  
(Print Name)

Read this instrument fully and carefully prior to signing. This is a legally valid and binding obligation to release a party from all known and unknown obligations. This instrument affects important legal rights. Think carefully and consider obtaining legal advice prior to signing.

**EXHIBIT D**

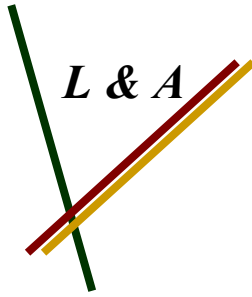
**FINANCIAL STATEMENTS**

REPORT OF  
THE MEADOWS FRANCHISE SYSTEMS, INC.  
FOR THE YEARS ENDED  
NOVEMBER 30, 2024, 2023, AND 2022

TABLE OF CONTENTS  
THE MEADOWS FRANCHISE SYSTEMS, INC.

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	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position .....	3
Statement of Income and Retained Earnings.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6-13
Consent of Independent Auditors .....	14
Communication with Board of Directors.....	15-17



## **Link & Associates, P.C.**

*Certified Public Accountants*

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412 Union Street, Hollidaysburg, PA 16648

To the Board of Directors  
The Meadows Franchise Systems, Inc.  
310 Penn Street, Suite 300  
Hollidaysburg, Pennsylvania 16648

### **Opinion**

We have audited the accompanying financial statements of The Meadows Franchise Systems, Inc. (a Pennsylvania Corporation), which comprise the statement of financial position as of November 30, 2024, 2023, and 2022 and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Meadows Franchise Systems, Inc. as of November 30, 2024, 2023, and 2022 and the changes in its retained earnings and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Meadows Franchise Systems, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 The Meadows Franchise Systems, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Phone: (814) 695-3192 \* Fax: (814) 695-2707

*Member: American and Pennsylvania Institutes of Certified Public Accountants and AICPA Private Company*

## **Auditor's 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 our 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 purpose of expressing an opinion on the effectiveness of The Meadows Franchise Systems, Inc.'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, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Meadows Franchise Systems, Inc.'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 audit findings, and certain internal control related matters that we identified during the audit.

*Link & Associates, P.C.*

Link & Associates, P.C.  
Hollidaysburg, PA 16648  
August 7, 2025

THE MEADOWS FRANCHISE SYSTEMS, INC.  
BALANCE SHEETS  
AS OF NOVEMBER 30, 2024, 2023, AND 2022

	<u>ASSETS</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS:</b>			
Cash	\$ 37,737	\$ 95,592	\$ 94,205
Accounts Receivable	13,980	13,632	12,119
Investments	101,008	88,459	87,088
Inventory - Franchise Equipment	647	647	647
Prepaid Expenses	<u>409</u>	<u>1,357</u>	<u>-</u>
Total Current Assets	153,781	199,687	194,059
<b>PROPERTY AND EQUIPMENT:</b>			
Vehicle	-	-	37,319
Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>( 29,606)</u>
Total Property and Equipment	<u>-</u>	<u>-</u>	<u>7,713</u>
<b>TOTAL ASSETS</b>	<u>\$ 153,781</u>	<u>\$ 199,687</u>	<u>\$ 201,772</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
<b>CURRENT LIABILITIES:</b>			
Accrued Payroll and Payroll Taxes	\$ 1,474	\$ 2,445	\$ 2,241
Accrued Expenses	15,000	70,000	75,000
Accrued Taxes	443	892	-
Deferred Revenue	-	-	-
Notes Payable Current Portion	<u>-</u>	<u>-</u>	<u>7,500</u>
Total Current Liabilities	16,917	73,337	84,741
<b>LONG-TERM LIABILITIES:</b>			
Notes Payable	-	-	12,391
PPP Loan	<u>-</u>	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	-	-	12,391
<b>STOCKHOLDERS' EQUITY:</b>			
Capital Stock, \$1 par value, 100,000 Shares Authorized, 750 Shares			
Issued and Outstanding	750	750	750
Capital in Excess of Par	1,750	1,750	1,750
Retained Earnings	<u>134,364</u>	<u>123,850</u>	<u>102,140</u>
Total Stockholders' Equity	<u>136,864</u>	<u>126,350</u>	<u>104,640</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 153,781</u>	<u>\$ 199,687</u>	<u>\$ 201,772</u>

See Accompanying Notes and Independent Auditor's Report.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEARS ENDED NOVEMBER 30, 2024, 2023, AND 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>REVENUE:</b>			
Royalties	\$ 215,887	\$ 198,192	\$ 177,002
Franchise Fees	35,000	40,000	25,000
Rebate Income	35,624	29,078	28,360
Investment Income	<u>7,042</u>	<u>2,240</u>	<u>( 7,130)</u>
Total Revenue	293,553	269,510	223,232
<b>OPERATING EXPENSES:</b>			
Advertising	-	-	-
Franchise Setup Costs	-	-	-
Management Fees	156,288	131,068	86,696
Utilities and Telephone	4,640	3,387	2,522
Royalty Fees	13,548	11,291	6,800
Professional Fees	12,146	21,017	29,385
Vehicle Expense and Travel	5,951	7,439	8,069
Insurance and Hospitalization	3,314	5,770	3,551
Payroll	65,250	65,250	65,250
Payroll Taxes and Other	5,208	7,557	7,350
Interest	230	194	595
Computer Costs	5,384	4,465	3,576
Office Expenses	3,921	2,992	536
Miscellaneous	130	350	1,741
Retirement Plan	3,915	3,915	3,915
Licenses and Permits	-	-	-
Equipment	3,080	857	-
Equipment Costs	-	-	-
Repairs	-	-	-
Depreciation	<u>-</u>	<u>638</u>	<u>14,181</u>
Total Operating Expenses	283,005	266,190	234,167
Net Operating Income (Loss)	10,548	3,320	( 10,935)
<b>OTHER INCOME (Losses)</b>			
Gain on Disposal of FA	-	17,925	-
PPP Grant Income	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Income (Losses)	-	17,925	-
Net Income (Loss) Before Taxes	10,548	21,245	( 10,935)
<b>PROVISION FOR INCOME TAXES</b>			
Federal Income Tax	( 443)	465	-
State Income Tax	<u>409</u>	<u>-</u>	<u>-</u>
Total Income Taxes	( 34)	465	-
Net Income (Loss)	10,514	21,710	( 10,935)
RETAINED EARNINGS - BEGINNING	<u>123,850</u>	<u>102,140</u>	<u>113,075</u>
RETAINED EARNINGS - ENDING	<u>\$ 134,364</u>	<u>\$ 123,850</u>	<u>\$ 102,140</u>

See Accompanying Notes and Independent Auditor's Report.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED NOVEMBER 30, 2024, 2023, AND 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Income (Loss)	\$ 10,514	\$ 21,710	\$ ( 10,935)
Adjustment to Reconcile Net Income (Loss) To Net Cash Provided / (Used) by Operations:			
Depreciation	-	638	14,181
Loss on Sale of Assets	-	-	-
(Increase) Decrease in:			
Accounts Receivable	( 348)	( 1,513)	( 2,636)
Investments	( 12,549)	( 1,371)	7,977
Inventory	-	-	-
Prepaid Expenses	948	( 1,357)	-
Increase (Decrease) in:			
Accrued Expenses	( 56,420)	( 3,904)	45,203
Deferred Revenue	<u>-</u>	<u>-</u>	<u>( 5,000)</u>
Net Cash Provided / (Used) by Operating Activities	( 57,855)	14,203	48,790
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Property and Equipment	-	-	-
Proceeds from Sale of Property and Equipment	-	7,075	-
Notes Receivable - S. Gardner - Advances	-	-	-
Notes Receivable - S. Gardner - Payments Received	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided / (Used) by Investing Activities	-	7,075	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Principal Payments on Loans	-	( 19,891)	( 6,770)
Increase in Loans Payable	-	-	-
Proceeds from PPP Loan	-	-	-
Capital in Excess of Par	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided / (Used) by Financing Activities	<u>-</u>	<u>( 19,891)</u>	<u>( 6,770)</u>
Net Increase (Decrease) in Cash	( 57,855)	1,387	42,020
CASH IN BANK - BEGINNING	<u>95,592</u>	<u>94,205</u>	<u>52,185</u>
CASH IN BANK - ENDING	\$ <u>37,737</u>	\$ <u>95,592</u>	\$ <u>94,205</u>
<b>Cash Paid During the Years For:</b>			
Interest	\$ <u>230</u>	\$ <u>194</u>	\$ <u>595</u>
Income Taxes	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See Accompanying Notes and Independent Auditor's Report.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2024, 2023, AND 2022

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business

The Franchisor is The Meadows Franchise Systems, Inc. ("Meadows" or Franchisor"), a Pennsylvania corporation incorporated in December 1986, whose principal business address is 107 Browning Avenue, Altoona, Pennsylvania 16602. The Company promotes the establishment of franchise locations of The Meadows Original Frozen Custard and provides support for marketing and operations of franchisee establishments. In return for the services, the Company receives royalty revenue and franchise fees from its franchisees.

At November 30, 2024, the Company has twenty-seven (27) franchises and one (1) company operated store operating in six states and one other country.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, which is a method of accounting in accordance with principles generally accepted in the United States of America.

Accounts Receivable

The Company utilized the reserve method of accounting for doubtful accounts. However, at November 30, 2024, 2023, and 2022, all accounts receivable were considered fully collectible. Therefore, no allowance for doubtful accounts has been provided for within this report. Accounts receivable includes an amount from one dairy in Johnstown, Pennsylvania, which remits royalties to the franchise operators when they collect on their dairy sales. Credit risk is concentrated in this vendor.

Inventory

The Company's inventory is composed of franchisee machinery and is stated at cost. The inventory on hand at November 30, 2024, 2023, and 2022 was \$647, \$647, and \$647, respectively.

Income Taxes

Income tax expenses is computed based upon net income as determined for financial statement purposes. Difference between tax return and financial statement income and expense are accounted for as deferred income taxes. As of November 30, 2024, 2023, and 2022, the Company had no deferred income taxes for reporting purposes.

Trademarks

Trademarks represent costs associated with establishing the Trademark "The Meadows Original Frozen Custard" with the United States Patent and Trademark Office on April 24, 1990. The registration remained in force for twenty-one (21) years.

Those costs were fully amortized as of the dates of these balance sheets.

A trademark renewal was submitted and was accepted as of February 12, 2010. The renewal period is for ten (10) years. It was renewed again in 2020 for another ten (10) years.

See Accompanying Independent Auditor's Report.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2024, 2023, AND 2022  
(CONTINUED)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Taxes Assessed by Governmental Authorities on Revenue - Producing Transactions

The Company presents its sales revenue net of any applicable sales and use taxes assessed or collected by governmental authorities.

Fair Value of Financial Instruments

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall Topic (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. One of the key amendments in this update was to exempt all entities that are not public business entities from disclosing fair value information for financial instruments measured at amortized costs. Although the ASU is not effective for nonpublic entities until years beginning after December 15, 2019, its provision eliminating the disclosure requirement may be early adopted for any financial statements that have not yet been made available for issuance. The Company has made the election to early adopt this ASU and, therefore, no further disclosures are required.

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards (FASB ASC Topic 820) establishes a framework for measuring fair value and expands disclosures about fair value measurements. The changes to current practice resulting from the application of this Topic relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements.

In determining fair value, the Company uses various valuation approaches within the FASB fair value measurements framework. Fair value measurements are determined based on the assumption that market participants would use in pricing an asset or liability.

FASB establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the uses of unobservable inputs by requiring that the most observable inputs be used when available. FASB defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 - Valuations based on quoted prices for similar assets or liabilities in less active markets, but for which significant inputs are observable, such as dealer or broker market; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

See Accompanying Independent Auditor's Report.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2024, 2023, AND 2022  
(CONTINUED)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Fair Value Measurements (Continued)

The Company's Level 1 financial instruments consist primarily of cash and cash equivalents, accounts receivable, inventory, accrued expense, and notes payable. The carrying amount of cash and cash equivalents, accounts receivable, inventory, and accrued expenses approximate fair value, due to the short-term nature of such instruments, and are classified as Level 1 assets. The following methods and such assumptions were used to estimate the fair value of the remaining financial instruments for which such methods were practicable to estimate that value:

Long-Term Debt

The Company long-term debt includes a credit agreement and notes payable. The interest rate on the notes payable approximates interest rates at year-end, and therefore approximates fair value. All long-term debt is classified as Level 1.

The Company currently has no Level 2 or Level 3 financial instruments.

New Accounting Pronouncements and Standards

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update No. 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers, which stipulates that an entity should recognize revenue to depict the transfer of 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. To achieve this core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract(s); (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract(s); and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The Company intends to adopt ASU 2014-09 and all related amendments on December 1, 2020 and analyze contracts which might impact its revenue recognition using the modified retrospective approach. The Company is continuing to evaluate the effect this standard will have on its Financial Statements but does not expect adoption of this standard to have a material effect.

In 2020, the Company adopted Financial Accounting Standards Board (FASB) accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (ASC 606). The Standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also included expanded disclosure requirements that result in providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the company's contracts with customers. There were no material impacts with the adoption on the Company's financial statements.

See Accompanying Independent Auditor's Report.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2024, 2023, AND 2022  
(CONTINUED)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

As part of the adoption of ASC 606, the Company elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients. There were no material impacts with the adoption on the Company's financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), Leases, which requires the recognition of lease assets and lease liabilities by lessees for all leases greater than one year in duration and classified as operating leases under previous guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and interim periods within those periods. The Company intends to adopt ASU 2016-02 using the current-period adjustment method, which will result in application of the new guidance at December 1, 2021, the beginning of the period of adoption. Based on its existing leases, the Company is continuing to evaluate the effect this standard will have on its Financial Statements.

Property and Equipment

Presently, the Company only has one vehicle categorized as property and equipment. When applicable, property, and equipment is stated at cost and depreciated using applicable guidelines including straight-line and accelerated methods.

Maintenance and repairs are charged to expenses as incurred. Renewals and betterments that extend the useful lives of assets are capitalized.

Advertising

All advertising and marketing costs of the Company are expensed as incurred. The Company incurred no advertising expense in the year ended herein.

Revenue Recognition

Revenues are recognized when earned and expenses related to the revenues are recorded upon completion of the event to which they are applicable and when the obligation is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include checking and savings accounts, time deposits, and highly liquid debt instruments with original maturities of three months or less.

See Accompanying Independent Auditor's Report.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2024, 2023, AND 2022  
(CONTINUED)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and of reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through August 7, 2025, the date the financial statements were made available.

NOTE 2 - RELATED PARTY TRANSACTIONS:

Gardner Meadows, Inc. is an S-corporation, which owns 100% of The Meadows Franchise Systems, Inc.

The term of the agreement was for the remaining term on the note payable used by Gardner Meadows, Inc. to finance the purchase of The Meadows Franchise Systems, Inc. This note was paid off on December 20, 2018 and management fees are currently based upon the services performed and on the decisions of management.

Management fees during the fiscal year ended November 30, 2024, 2023, and 2022 totaled \$156,288, \$131,068, and \$86,696, respectively.

Gardner Meadows, Inc. acquired the stock of The Meadows Franchise Systems, Inc. on January 24, 2003 for \$375,000 plus interest at prime, plus 1% for 15 years. The purchase price also included 10% of ay franchise fees and royalties received over the term of the promissory note.

The promissory note was secured by a pledge agreement pledging all of those issued and outstanding stock of The Meadows Franchise Systems, Inc. as security for the repayment of the note. The promissory note was paid off December 20, 2018.

Notes receivable include advances to Steven Gardner, the 100% owner of the Company's parent Gardner Meadows, Inc. The note is a short-term note with an amount due of \$0 as of November 30, 2024.

NOTE 3 - STOCKHOLDERS' EQUITY:

The Company is a closely held corporation with common stock consisting of 100,000 authorized shares with a par value of \$1, of which 750 shares were issued and outstanding at November 30, 2024.

The following is a summary of the ownership of the outstanding shares:

Gardner Meadows, Inc. - 750 Shares

See Accompanying Independent Auditor's Report.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2024, 2023, AND 2022  
(CONTINUED)

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NOTE 4 - FRANCHISE FEES:

The Company receives a franchise fee of \$25,000 for each franchise issued. A \$5,000 deposit is received when an option agreement is signed. The balance of \$20,000 is paid by the franchisee when a franchise agreement is signed. The State of Maryland requires payment of franchise fees upon opening of a franchise for business.

The option payments are recorded as deferred revenue when received. They are recorded as income when the franchise agreement is signed. The balance of the deferred revenue portion of fees at November 30, 2024, 2023, and 2022 was \$0, \$0, and \$0, respectively.

NOTE 5 - ROYALTIES:

A royalty fee is charged on a per gallon basis as product is purchased.

NOTE 6 - PROPERTY AND EQUIPMENT:

At November 30, 2024, the major classes of depreciable assets and their related accumulated depreciation consisted of the following:

Vehicles	\$	-
Less: Accumulated Depreciation		<u>-</u>
Net Property and Equipment	\$	<u><u>-</u></u>

Depreciation expense for the years ending November 30, 2024, 2023, and 2022 was \$0, \$638, and \$14,181 respectively.

NOTE 7 - MAJOR CUSTOMERS:

The entire portion of the Company's sales and royalties are from twenty-eight (28) customers.

NOTE 8 - INCOME TAXES:

The Company follows the provisions of FASB ASC 740-10-50, Income Taxes-Overall-Disclosure. FASB ASC 740-10-50 sets forth a recognition threshold and measurement attribute for financial statement recognition of positions taken or expected to be taken in income tax returns. FASB ASC 740-10-50 had no material impact on the Company's financial statements. The fiscal year tax years 2020-2023 remain open to examination by the major taxing jurisdictions to which the Company is subject. In the event that the Company concludes that is subject to interest and/or penalties arising from uncertain tax positions, the Company will present interest and penalties as a component of income tax expense.

See Accompanying Independent Auditor's Report.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2024, 2023, AND 2022  
(CONTINUED)

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NOTE 9 - RETIRMENT PLAN:

The Company sponsors a 401(k) Profit Sharing Plan that covers all employees over the age 21 who meet stated service requirements.

The Company may make a profit-sharing contribution on an annual basis at its discretion. No profit-sharing contribution was made for the current year.

The Company also makes matching safe harbor contributions of salary deferrals on contributions not exceeding 3% of compensation plus 50% of salary deferrals between 3% and 5% of eligible compensation. The matching contribution for the years ended November 30, 2024, 2023, and 2022 was \$3,915, \$3,915, and \$3,915 respectively.

NOTE 10 - NOTE PAYABLE:

A vehicle was purchased in the amount of \$37,319 on September 1, 2021. The vehicle was disposed of during the fiscal year ended November 30, 2023.

Note payable at November 30, 2024 consisted of the following:

Note Payable at 3% interest secured by a vehicle, with monthly payments of \$601.	\$ -
Less: Current Portion	- _____
Note Payable, Net of Current Portion	\$ _____

Approximate Maturity of Long-Term Liabilities:

	Principal	Interest
November 30, 2024	\$ -	\$ -
2025	-	-
2026	-	-
2027	-	-
2028	- _____	- _____
Total	\$ _____	\$ _____

NOTE 11 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. There were no cash and cash equivalents exceeding federally insured limits as of November 30, 2024, 2023, or 2022.

NOTE 12 - CONTINGENCIES:

On November 30, 2024, the Company was party to guarantee a bank line of credit loan of \$50,000 on behalf of a related Company. The line of credit established for general business purposes has a \$0 balance as of November 30, 2024.

See Accompanying Independent Auditor's Report.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2024, 2023, AND 2022  
(CONTINUED)

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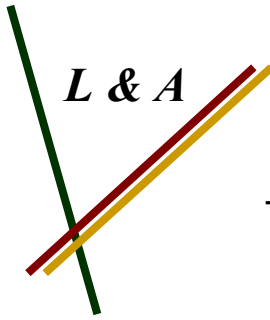
NOTE 13 - OPERATING LEASES:

The Company currently does not hold any assets that are classified as operating leases.

NOTE 14 - COMPENSATED ABSENCES:

The Company's employer have non-vesting rights with respect to compensated absences and the rights expire at the end of the year in which they are earned, so no liability for future compensated absences is required.

See Accompanying Independent Auditor's Report.



*Link & Associates*  
*Certified Public Accountants*

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412 Union Street, Hollidaysburg, PA 16648

THE MEADOWS FRANCHISE SYSTEMS, INC.  
EXHIBIT C2  
CONSENT OF INDEPENDENT AUDITORS  
NOVEMBER 30, 2024

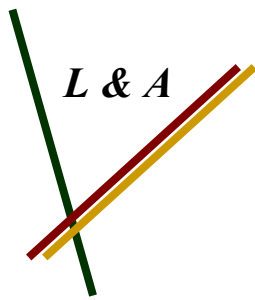
As independent auditors, we hereby consent to the use of our report dated August 7, 2025, included as part of The Meadows Original Frozen Custard Franchise Disclosure Document (with an issuance date of August 7, 2025) with the state of Maryland, and as submitted for use by the states of Pennsylvania, New York, Virginia, and Maine. It should be noted that we have performed no audit procedures subsequent to August 7, 2025, the date of our report. Furthermore, we have not made an examination of any financial statements of The Meadows Franchise Systems, Inc. as of any date for any period subsequent to November 30, 2024.

*Link & Associates, P.C.*

Link & Associates, P.C.  
Hollidaysburg, PA 16648  
August 7, 2025

Phone: (814) 695-3192 \* Fax: (814) 695-2707

Member: American and Pennsylvania Institutes of Certified Public Accountants and AICPA Private Company Section



***Link & Associates, P.C.***  
***Certified Public Accountants***

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412 Union Street, Hollidaysburg, PA 16648

COMMUNICATION WITH THE BOARD OF DIRECTORS

To the Board of Directors  
The Meadows Franchise Systems, Inc.  
107 Browning Avenue  
Altoona, Pennsylvania 16602

We have audited the financial statements of The Meadows Franchise Systems, Inc. for the years ended November 30, 2024, 2023, and 2022 and have issued our report thereon dated August 7, 2025. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards.

As stated in our engagement letter dated July 30, 2025, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered The Meadows Franchise Systems, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether The Meadows Franchise Systems, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Meadows Franchise Systems, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the years ended November 30, 2024, 2023, and 2022.

Phone: (814) 695-3192 \* Fax: (814) 695-2707

*Member: American and Pennsylvania Institutes of Certified Public Accountants and AICPA Private Company Section*

THE MEADOWS FRANCHISE SYSTEMS, INC.  
COMMUNICATION WITH BOARD OF DIRECTORS  
(CONTINUED)

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Significant Accounting Policies (Continued)

We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting Estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was depreciation expense.

Management's estimate of depreciation expense is based on the straight-line method of depreciation over the estimated useful life of the asset. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustment

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Organization, either individually or in the aggregate, indicate matters that could have a significant effect on the Organization's financial reporting process.

There were no unrecorded adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

THE MEADOWS FRANCHISE SYSTEMS, INC.  
COMMUNICATION WITH BOARD OF DIRECTORS  
(CONTINUED)

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Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with our clients each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Meadows Franchise Systems, Inc.

## UNAUDITED FINANCIAL REPORTS

December 1, 2023 thru September 30, 2024

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.  
PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE  
ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE  
FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT  
OR FORM.**

## THE MEADOWS FRANCHISE SYSTEM, INC

## Balance Sheet

10/15/24

As of September 30, 2024

Accrual Basis

	<u>Sep 30, 24</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
CITIZENS BANK LOAN ACCT	47,892.91
CITIZENS BANK ROYALTY ACCT	30.00
RELIANCE BANK	3,291.95
<b>Total Checking/Savings</b>	<u>51,214.86</u>
<b>Other Current Assets</b>	
Raymond James MM #897WW575	100,255.30
<b>Total Other Current Assets</b>	<u>100,255.30</u>
<b>Total Current Assets</b>	151,470.16
<b>Fixed Assets</b>	
MACHINE INVENTORY	646.59
<b>Total Fixed Assets</b>	<u>646.59</u>
<b>TOTAL ASSETS</b>	<b><u><u>152,116.75</u></u></b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Other Current Liabilities	
Payroll Liabilities	187.99
<b>Total Other Current Liabilities</b>	<u>187.99</u>
<b>Total Current Liabilities</b>	<u>187.99</u>
<b>Total Liabilities</b>	187.99
<b>Equity</b>	
CAPITAL IN EXCESS OF PAR	1,750.00
CAPITAL STOCK MFS	750.00
Retained Earnings	132,328.42
Net Income	17,100.34
<b>Total Equity</b>	<u>151,928.76</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u><u>152,116.75</u></u></b>

## THE MEADOWS FRANCHISE SYSTEM, INC

## Profit &amp; Loss

10/15/24

December 2023 through September 2024

Accrual Basis

	<u>Dec '23 - Sep 24</u>
Ordinary Income/Expense	
Income	
FRANCHISE INCOME	35,000.00
REBATE/DISCOUNT	28,208.09
ROYALTY INCOME	
ROYALTY PAY BACK	-11,442.75
ROYALTY INCOME - Other	148,965.83
<b>Total ROYALTY INCOME</b>	<u>137,523.08</u>
<b>Total Income</b>	200,731.17
Expense	
COMPUTER COSTS	4,165.74
Insurance	
HEALTH	2,682.19
Insurance - Other	2,512.55
<b>Total Insurance</b>	<u>5,194.74</u>
Management Fee	64,525.11
Payroll Expenses	
401K COMPANY MATCH	3,312.76
Payroll Expenses - Other	59,651.99
<b>Total Payroll Expenses</b>	<u>62,964.75</u>
Postage and Delivery	1,503.70
Professional Fees	11,590.00
Service Charges	200.00
SUPPLIES	24,865.53
TAXES	930.76
Telephone	3,144.20
Travel & Ent	
Meals	987.62
Travel	2,686.76
<b>Total Travel &amp; Ent</b>	<u>3,674.38</u>
<b>Total Expense</b>	<u>182,758.91</u>
<b>Net Ordinary Income</b>	17,972.26
Other Income/Expense	
Other Income	
Unrealized Gain	-871.92
<b>Total Other Income</b>	<u>-871.92</u>
<b>Net Other Income</b>	<u>-871.92</u>
<b>Net Income</b>	<u><u>17,100.34</u></u>

**EXHIBIT E**

**MARYLAND ADDENDUM**

## MARYLAND ADDENDUM

The Franchise Disclosure Document for **The Meadows Franchise Systems, Inc.** for use in the State of Maryland shall be amended as follows:

Additional Disclosure: The following statement is added to categories (v.) and (w.) in Item 17:

**A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.**

Additional Disclosure: The following statement is added as a Note to Item 17:

**The General Release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.**

Additional Disclosures: The following statements are added to the Franchise Disclosure Document:

**Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise**

**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 F**

**VIRGINIA ADDENDUM**

## VIRGINIA ADDENDUM

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for **The Meadows Franchise Systems, Inc.** for use in the Commonwealth of Virginia shall be amended as follows:

Additional Risk Factor: The following additional risk factor is added to the State Cover Page:

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$134,000 to \$512,000 (excluding lease and/or real estate acquisition costs). This amount exceeds the franchisor's stockholders' equity as of November 30, 2024, which is \$136,864.

Additional Disclosure: The following statements are added to Item 17.h.:

**Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.**

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
Virginia	Pending

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

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Meadows Franchise Systems, Inc. offers you a franchise, it must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**[Maryland and New York require that we give you this disclosure document at the earlier of the first personal meeting or fourteen (14) calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]**

If The Meadows Franchise Systems, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state administrator listed in EXHIBIT A.

The franchisor is The Meadows Franchise Systems, Inc., located at 310 Penn Street, Suite 300, Hollidaysburg, PA 16648. Its telephone number is 866-868-2954.

Issuance date: October 14, 2025

The franchise seller for this offering is Steven Gardner, Director and President of The Meadows Franchise Systems, Inc. 310 Penn Street, Suite 300, Hollidaysburg, PA 16648, 866-868-2954.

The Meadows Franchise Systems, Inc. authorizes John P. Urban, Urban & Blattenberger, P.C., 513 Allegheny Street, Hollidaysburg, PA 16648, to receive service of process for it in the State of Pennsylvania,

The Meadows Franchise Systems, Inc. authorizes Maryland Securities Commissioner, 200 St. Paul Place, Baltimore, Maryland 21202-2020, to receive service of process for it in the State of Maryland.

The Meadows Franchise Systems, Inc. authorizes Clerk of the State Corporation Commission, 1300 East Main Street, 1st Floor, Richmond, Virginia 23219 to receive service of process for it in the Commonwealth of Virginia.

For service of process in other states, see Item 1 of the Franchise Disclosure Document.

I have received a disclosure document dated October 14, 2025 that includes the following Exhibits:

A. List of State Administrators; B. Operating Manual Table of Contents; C.1. Meadows Option Agreement; C.2. Meadows Franchise Agreement; C.3. General Release; D. Audited Financial Statements; E. Maryland Addendum; F. Virginia Addendum

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

You may return the signed receipt either by signing, dating, and mailing it to The Meadows Franchise Systems, Inc. 310 Penn Street, Suite 300, Hollidaysburg, PA 16648, or by emailing a copy of the signed and dated receipt to The Meadows Franchise Systems, Inc. at [info@meadowsfroencustard.com](mailto:info@meadowsfroencustard.com).

**TO BE RETAINED BY YOU**

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Meadows Franchise Systems, Inc. offers you a franchise, it must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**[Maryland and New York require that we give you this disclosure document at the earlier of the first personal meeting or fourteen (14) calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]**

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For service of process in other states, see Item 1 of the Franchise Disclosure Document.

I have received a disclosure document dated October 14, 2025 that includes the following Exhibits:

A. List of State Administrators; B. Operating Manual Table of Contents; C.1. Meadows Option Agreement; C.2. Meadows Franchise Agreement; C.3. General Release; D. Audited Financial Statements; E. Maryland Addendum; F. Virginia Addendum

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

You may return the signed receipt either by signing, dating, and mailing it to The Meadows Franchise Systems, Inc. 310 Penn Street, Suite 300, Hollidaysburg, PA 16648, or by emailing a copy of the signed and dated receipt to The Meadows Franchise Systems, Inc. at [info@meadowsfroencustard.com](mailto:info@meadowsfroencustard.com).

**TO BE RETURNED TO MEADOWS**