

FRANCHISE DISCLOSURE DOCUMENT

CANDY CLOUD FRANCHISING LLC
An Illinois limited liability company
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Candy Cloud franchisees provide a unique offering of providing a unique offering of specialty drinks, coffee, shakes, and bubble tea drinks all within custom-made and branded plastic cans. The total investment necessary to begin operation of a Candy Cloud franchise is \$292,742 to \$486,783. This includes \$44,000 that must be paid to the franchisor or its affiliate(s).

If you enter into a Multi-Unit Development Agreement to develop multiple franchised businesses, you will pay a development fee when you sign the Multi-Unit Development Agreement. You must commit to open a minimum of 2 franchised businesses. The total investment necessary to begin operations under a Candy Cloud Multi-Unit Development Agreement for 2 franchised businesses, including the costs to build and equip the 1st franchised business, is \$324,742 to \$518,783 for a required minimum of 2 Candy Cloud franchised businesses to be developed. This includes a development fee of \$72,000 that must be paid to the franchisor or an affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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.**

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 accountant.

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

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

Issuance Date: October 6, 2022, amended March 13, 2023.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Illinois. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Illinois than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **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.
4. **Financial Condition.** The Franchisor's financial condition as reflected in its financials statements (See Item 21) calls into question the Franchisor's financial ability to provide service and support to you.
5. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the Franchisor's ability to use this trademark in your area is challenged, you may have to identify your business and its products by a different name. This change can be expensive and may reduce brand recognition of the products and services you offer.
6. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
7. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

MICHIGAN NOTICE

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assents to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise before the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to sell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide 3rd party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision that permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offer on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General. Any questions regarding this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, 670 Law Building, Lansing, MI 48913, telephone: (517) 373-7117.

CANDY CLOUD FRANCHISING LLC
Franchise Disclosure Document

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LIST OF EXHIBITS

- EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT B: Franchise Agreement with Attachments 1- 9
- EXHIBIT C: Multi-Unit Development Agreement with Attachments 1-3
- EXHIBIT D: Financial Statements of Candy Cloud Franchising LLC
- EXHIBIT E: Operations Manual Table of Contents
- EXHIBIT F: Outlets as of August 31, 2022
- EXHIBIT G: State Addenda
- EXHIBIT H: Franchisee Acknowledgment
- EXHIBIT I: Receipt

ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, the terms “Franchisor”, or “we” or “us” means Candy Cloud Franchising LLC the Franchisor. The terms “we”, “us” and “Franchisor” do not include you, the “Franchisee”. We refer to the purchaser(s) of a Candy Cloud franchise, as “you” or “Franchisee”, whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, our Franchise Agreement also will apply to your owners, officers and directors. If you are married and your spouse is not a partner in the franchise business, certain provisions of our Franchise Agreement will also apply to that spouse.

We were formed as a limited liability company in the State of Illinois on July 12, 2022. Our principal business address is 9934 N Alpine Road Machesney Park IL 61115, and our telephone number is 815-264-2168. We do business under our operating name, “Candy Cloud” and its associated design (the “Marks”). We do not own or operate any businesses of the type you will be operating, but our affiliate does. We have not offered franchises in any other line of business. We began offering franchises in October 2022.

The principal business addresses of our agents for service of process are shown on Exhibit A.

Our Parents, Predecessors and Affiliates

We have no parent or predecessor company.

We have an affiliated company, Candy Cloud IP LLC, an Illinois limited liability company with a principal place of business at 9934 N Alpine Road, Machesney Park, Illinois 61115. Candy Cloud IP LLC was formed on August 5, 2022 and is the owner of the Marks and has exclusively licensed use of the Marks to us. Candy Cloud IP LLC has not offered franchises in this or in any other lines of business previously.

We have operated, through our affiliate, an outlet similar to the franchise offered by this Disclosure Document since 2022. We may operate other Candy Cloud concepts, including additional Candy Cloud outlets, or other concepts in the future.

The Franchise Offered:

We grant franchises for the right to operate a business providing a unique offering of specialty drinks, coffee, shakes, and bubble tea drinks all within custom-made and branded plastic cans (the “Franchised Business”). The distinguishing characteristics of the Franchised Business include, but are not limited to, the Candy Cloud menus, recipes, distinctive exterior and interior design, décor, color scheme, fixtures and furnishings, methods, uniform trade dress standards, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by us at any time (the “System”).

We also offer qualified individuals the right to open a minimum of 2 Candy Cloud outlets in a designated area under the terms of a multi-unit development agreement. You must sign the then-current form of franchise agreement for each Franchised Business to be developed under the multi-unit development agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

Market and Competition:

The market for your Franchised Business consists of members of the general public seeking customizable unique beverages. Our retail locations will be located in shopping malls, shopping centers, amusement parks, sport stadiums, military bases and/or are situated in central city, suburban or other high traffic locations and strip centers.

Food services businesses are highly competitive with constantly changing market conditions. You will compete with businesses, including national, regional and local businesses, offering services similar to those offered by your Candy Cloud Franchised Business, including other specialty drink restaurants. There are other specialty dessert and coffee restaurants franchises, as well as independent businesses throughout the United States, that may offer similar products and services. The demand for the products and services offered by you Franchised Business are also affected by changes in consumer tastes, demographics, traffic patterns and economic conditions, and may be affected by seasonal demand.

Industry Specific Regulations:

At all times during the operation of your Franchised Business, you must comply with all laws and regulations for proper food storage, preparation and service.

You and your employees must obtain a ServSafe® Food Handler certification and comply with all laws and regulations for proper food storage, preparation and service.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and foodservice establishment sanitary conditions. State and local agencies inspect food service establishments to ensure that they comply with these laws and regulations. Some state and local authorities have adopted, or are considering adopting, laws or regulations that could affect: the content or make-up of food served at or by your Candy Cloud outlet; general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as “low calorie” or “fat free”; and the posting of calorie and other nutritional information.

You must also comply with all local, state and federal laws and regulations that relate to business operations, land use, insurance, discrimination, employment and workplace safety. Your advertising of the Franchised Business is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchised Business in addition to those listed here.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

ITEM 2: BUSINESS EXPERIENCE

Chief Executive Officer: Alex Edwards

<i>Employer</i>	<i>Start Date - End Date</i>	<i>Titles</i>	<i>City, State</i>
Candy Cloud Franchising LLC	08/2022 to present	CEO	Machesney Park IL
Candy Cloud	04/2020 to present	Owner/CEO	Rockford, IL
City of Rockford Firefighter	10/2015 to 04/2020	Firefighter/Paramedic	Rockford, IL

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

In Illinois, payment of Initial Franchise Fees owed to Franchisor/affiliate will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. The Illinois Attorney General’s Office imposed this deferral requirement due to the Franchisor’s financial condition.

In Minnesota the payment of Initial Franchise Fees owed shall be deferred until the Franchised Business has commenced doing business.

We will charge you an initial franchise fee (“Initial Franchise Fee”) when you sign the Franchise Agreement. The Initial Franchise Fee is \$40,000.00. This payment is fully earned by us and due in lump sum when you sign the Franchise Agreement and is not refundable under any circumstance.

In connection with your grand opening marketing campaign, we will collect a payment in the amount of \$4,000 from you to be utilized for internet marketing for the Franchised Business. This payment is fully earned by us and due in lump sum when you sign the Franchise Agreement. It is not refundable under any circumstance.

You will pay us a non-refundable development fee (“Development Fee”) in a lump sum when you sign the Multi-Unit Development Agreement. The Development Fee is calculated as 100% of the initial franchise fee for the first unit and the reduced initial franchise fee for each additional unit to commit to develop under the Multi-Unit Development Agreement. The reduced initial franchise fee is calculated as 80% of the initial franchise fee.

Number of Outlets to be Developed	Development Fee due on signing the Multi-Unit Development Agreement
2	*\$72,000
3 or more	\$72,000 + \$32,000 for each additional outlet you commit to open

*Calculated as \$40,000 (Outlet #1) + \$32,000 (Outlet #2)

The Development Fee is fully earned by us and due in lump sum when you sign the Multi-Unit Development Agreement. The Development Fee is not refundable under any circumstance.

From time to time, we may offer special incentive programs as part of our franchise development activities. We reserve the right to offer, modify or withdraw any incentive program without notice to you. We currently offer a 20% discount on the Initial Franchise Fee for franchisees in good standing who open a second or subsequent outlet. We currently offer a 15% discount on the Initial Franchise Fee for the first location only to the following individuals: a member of the U.S. Armed Services or an honorably discharged Veteran of the U.S. Armed Services. Discounts may not be combined.

ITEM 6: OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Continuing Royalty Fee	6% of weekly Gross Revenue,	Weekly on Tuesday for	Payable to us. See footnote 1.

Type of Fee	Amount	Due Date	Remarks
		Gross Revenue of the prior week.	
Brand Fund Contribution	Up to 4% of weekly Gross Revenue. The current Brand Fund Contribution is 2% of weekly Gross Revenue.	Weekly on Tuesday for Gross Revenue of the prior week.	Brand Fund Contributions are paid directly to the Brand Fund. See footnote 2.
Local Advertising	Maximum of \$6,000 annually	As required by advertising suppliers	We reserve the right to require you to advertise the Franchised Business locally. All advertising must be pre-approved by us. We reserve the right to collect some or all of the local advertising expenditure and implement local advertising on your behalf.
Internal System Fee	Currently \$200 per month, subject to increase up to \$450, upon 30 days' notice to you. Franchisor has the right to increase the maximum fee by 10% annually.	Paid with the first Royalty and Brand Fund Contribution of each month.	Payable to us for new or improved technology for the benefit of the System and the Franchised Business, including, but not limited to, assigned phone numbers and email addresses, a franchise portal, benchmarking platform, or other operations or communications systems. We may increase the fee based on supplier pricing increases, introduction of new technology and/or changes in vendors.
Initial Training	No charge for initial training of up to three individuals which may include franchise owner(s), general manager(s) and manager(s). You pay all travel and other related expenses incurred by all trainees.	Travel and related expenses are due as incurred. Fees for training for your personnel are due prior to the commencement of training.	Initial training takes place in the headquarters or area designated by the Franchisor See Item 11.
Additional Training	Currently \$300 per person per day. You pay all travel and other related expenses incurred by you and your personnel to attend training.	As incurred.	Training is provided for up to 3 people at no cost. If additional personnel are to be trained or retraining is required, you must pay an additional training fee.
Additional Onsite Assistance	Then applicable per diem fee (currently \$400) plus travel and living	As incurred.	Paid to us if you request additional assistance or if we require additional training in the

Type of Fee	Amount	Due Date	Remarks
	expenses.		event your location is operating below required standards.
Remedial Training	Our then-current trainer per diem rate plus expenses. Our current per diem rate is \$400 per trainer per day plus travel and other expenses.	As incurred.	We may impose this fee, payable to us, if you request additional training at your premises from time-to-time, or if you are operating below our standards and we require you to have additional training. You must also pay all costs of our trainer, which include but are not limited to, airfare, transportation, hotel and meals.
Advertising Cooperative	Your share of actual cost of advertising.	As determined by cooperative.	No cooperatives have been established as of the date of this Disclosure Document. You are required to join an advertising cooperative if one is formed. Cooperatives will be comprised of all franchised Candy Cloud outlets in a designated geographic area. Any affiliate owned outlets may participate in an advertising cooperative, in our sole discretion.
Late Fee	\$100 per occurrence.	As incurred.	If you fail to pay us the Continuing Royalty Fee, Brand Fund Contribution, Internal System Fee or if you fail to submit your Gross Revenue report when due, we may charge you \$100 for each late submission in addition to interest charges explained below.
Interest	18% per annum, from due date, or maximum allowed by law.	As incurred.	If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received.
Non-Sufficient Funds Fee	\$150 per violation.	As incurred.	If your check is returned or an electronic funds transfer from your bank account is denied for insufficient funds, for each occurrence we may charge you a Non-Sufficient Funds Fee.
Non-Compliance Fee	\$500 per incident per day.	As incurred.	If you are not in compliance with the Franchise Agreement or the Operations Manual.
Transfer Fee	50% of the then-current franchise fee.	Upon application to transfer.	Payable to us. See Item 17.

Type of Fee	Amount	Due Date	Remarks
	20% of the then-current franchise fee for transfers to existing franchisee in good standing. \$2,500 for transfers to an entity owned and controlled by the franchisee for convenience purposes or for transfers among owners that do not change management control or adding shareholders that do not change the majority ownership in the franchise		
Transfer Fee – Multi-Unit Development Agreement	50% of the then-current initial franchise fee. 20% of the then-current initial franchise fee for transfers to an existing developer or franchisee in good standing. For transfers among existing owners, the transfer fee is \$2,500. The transfer fee is multiplied by the number of outlets for which a development right has been granted but not yet exercised.	Before we approve the transfer.	Payable to us. See Item 17.
Relocation Fee	50% of the then-current franchise fee.	As Incurred	Payable to us.
Testing or Supplier Approval Fee	\$750 and any additional cost that may be incurred by the Franchisor.	As incurred.	Payable to us.
Audit and Quality Assurance Fees	\$100 - \$400 per visit	As required by provider	Payable to third-party providers. See footnote 3.
Conference Fee	\$750.	As incurred.	Required for each annual meeting, conference or convention we schedule. See footnote 4.
Temporary Management Fee	Currently \$500 per representative per day plus reimbursement of our expenses.	As incurred.	If you breach your Franchise Agreement or following the death or incapacity of an owner of the franchise, the franchisor may

Type of Fee	Amount	Due Date	Remarks
			temporarily manage your franchised business.
Customer Resolution Fee	\$250 plus reimbursement of our expenses.	As incurred.	If you request or we require our assistance in resolving a customer dispute. The expenses you may be required to reimburse may include any payment we make to the customer including a refund.
Reimbursement of Legal Fees and Expenses	Our costs and expenses, including but not limited to attorneys' fees, incurred for your failure to pay amounts when due or failure to comply in any way with the Franchise Agreement.	As incurred.	Payable to us.
Successor Agreement Fee	10% of the then current franchise fee.	Upon signing the then-current form franchise agreement.	Payable to us. See Item 17.
Examination of Books and Records	Costs of examination plus related expenses.	As incurred.	We have the right under the Franchise Agreement to examine your books, records, and tax returns. If an examination reveals that you have understated any Gross Revenue report by two percent (2%) or more, you must pay to us the cost of the audit and all travel and related expenses, in addition to repaying monies owed and interest on the monies owed.
Accounting Services	Actual costs. Currently \$750 set up fee, ongoing \$550 per month.	As incurred.	We reserve the right to require you to use an external accounting service if (i) you do not keep your books and records in accordance with our requirements or (ii) we determine that use of an external service by all franchisees is beneficial to the System. The current mandated supplier is OnePoint Franchisee Accounting.
Indemnification	Amount of loss or damages plus costs.	As incurred.	See footnote 5.
Reimbursement of Costs and Expenses for Non-Compliance	Actual costs and expenses.	As incurred.	See footnote 6.

Type of Fee	Amount	Due Date	Remarks
Site Selection Extension Fee	\$5,000.00.	As incurred.	Payable to us. See footnote 7 .
Post-Termination or Post-Expiration Expenses	Costs and expenses.	As incurred.	Payable to us.
Insurance Reimbursement	Amount paid by us for your insurance obligations, plus an additional ten percent (10%) administrative fee.	As incurred.	You must reimburse us for any insurance costs and other fees we incur due to your failure to meet the insurance obligations required by the Franchise Agreement.
Lost Revenue Damages	Varies.	As incurred.	Payable if we terminate the Franchise Agreement with cause or you terminate it without cause. An amount equal to the net present value of royalty fees that would have become due over the next 104 weeks or the remaining weeks in the term of the Franchise Agreement, whichever is less, if the Franchise Agreement had not been terminated. Calculated based on the average royalty paid over the previous 52 weeks before termination, or if the Candy Cloud had not been in operation for at least 52 weeks, then based on the average royalty fee of all Candy Clouds in operation during the 52 weeks immediately preceding the termination.
Taxes	Amount of taxes.	When incurred.	You must reimburse us for any taxes that we must pay on account of either the operation of your Franchised Business or payments that you make to us, including, but not limited to any sales taxes or income taxes imposed by any authority.
Music Service	\$50	Monthly	Payable to suppliers

All fees and expenses described in this Item 6 are nonrefundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.

¹ “Gross Revenue” includes all revenues and income from any source derived or received by you from, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited to, any and all other revenues received using our methods, operations

and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise. Gross Revenue includes the full amount payable by your customers, without deduction for your delivery costs or for other write-offs; however, Gross Revenue does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, or (iii) properly documented promotional discounts (i.e., coupons). Gross Revenue does not include gift card purchases, at the time of purchase, but Gross Revenue does include the redemption amount of purchases made by gift card. If you do not report revenues for any week, then we will collect 120% of the last Royalty Fee collected and settle the balance the next period in which you report revenue. You are required to set up authorization at your bank to allow us to electronically transfer funds from your bank account to our bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds.

² You must pay directly to our Brand Fund a Brand Fund Contribution of 2% of weekly Gross Revenue, subject to increases not to exceed 4% of weekly Gross Revenue, generated by your Franchised Business. Payments are due at the same time and in the same manner as the Royalty Fee. You may be required to set up authorization at your bank to allow the Brand Fund to electronically transfer funds from your bank account to the Brand Fund's bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds. If you do not report your revenues for the week, then we will collect 120% of the last Brand Fund collected and settle the balance the next period in which you report revenue.

³We may establish audit and quality assurance programs conducted by third-party providers, such as, by way of example only, mystery shop programs and periodic quality audits or assurance inspections, to monitor the operations of your Franchised Business. If we require it, you must subscribe and pay the fees for any such program. Up to two visits per year for each program. If you receive an unacceptable review, you will undergo additional mystery shops, audits or inspections at your expense until your Candy Cloud receives a satisfactory review.

⁴ We may offer mandatory and/or optional additional training programs or a national business meeting or annual convention. The total amount of required ongoing training and/or annual meetings will be five (5) days or less per year and will be held at locations we designate. We reserve the right to impose a reasonable fee for the national business meeting, conference or annual convention. Currently, we charge \$750 per person for our national business meeting, conference or annual convention. You are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor's national business meeting, conference or annual convention, including, without limitation, costs of travel, lodging, meals and wages

⁵ You must indemnify and hold us, our affiliates, and all of our respective officers, directors, agents and employees harmless from and against any and all claims, losses, costs, expenses, liability and damages arising directly or indirectly from, as a result of, or in connection with your business operations under the Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

⁶ If you fail to do so, in our sole discretion, we may correct any deficiency in the Franchised Business and/or your operation of the Franchised Business or take steps to modify, alter or de-identify the Franchised Business location upon the termination or expiration of the Franchise Agreement. You will reimburse us for our costs and expenses incurred to correct any deficiency or to modify, alter or de-identify the Franchised Business location.

⁷ If you desire to extend the timeline to locate a site by an additional 60 days, you shall request in writing and pay the Site Selection Extension Fee

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

In Minnesota the payment of Initial Franchise Fees owed shall be deferred until the Franchised Business has commenced doing business.

<u>Type of Expenditure</u>	<u>Estimated Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
	Low	High			
Initial Franchise Fee ¹	\$40,000	\$40,000	Lump sum payment in cash or available funds	Upon signing the Franchise Agreement	Payable to us
Leasehold Improvements ²	\$75,000	\$170,000	As required by suppliers	Before opening as required by suppliers	Suppliers, contractor and/or landlord
Lease Deposits ³	\$3,967	\$15,000	As required by landlord	As required by landlord	Landlord
Architect & Engineer Fees	\$7,000	\$10,000	As required by suppliers	Before opening	Architect & Engineer
Furniture and Fixtures	\$2,600	\$2,860	As required by suppliers	Before opening	Suppliers
Equipment ⁴	\$85,000	\$110,000	As required by suppliers	Before opening	Suppliers
Computer Equipment ⁵	\$7,000	\$7,000	As required by suppliers	Before opening	Suppliers
Software – 3 months	\$1,200	\$1,200	As incurred	Before opening	Suppliers
Internal System Fee	\$600	\$600	As incurred	Before opening	Suppliers
Misc. Equipment & Supplies	\$3,475	\$3,823	As required by suppliers	Before opening	Suppliers
Accounting Service – 3 months ⁶	\$2,400	\$2,400	As required by supplier	As required by the supplier	OnePoint Franchisee Accounting
Signage ⁷	\$8,000	\$15,000	As incurred	Before opening	Suppliers
Smallware	\$2,500	\$2,750	As incurred	Before opening	Suppliers
Uniforms	\$400	\$700	As incurred	Before opening	Suppliers
Initial Inventory ⁸	\$8,000	\$15,000	As required by suppliers	Before opening	Approved Vendors

<u>Type of Expenditure</u>	<u>Estimated Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
	Low	High			
Rent (3 months)	\$11,900	\$45,000	As required by landlord	As incurred	Landlord
Utilities (3 months)	\$2,100	\$2,700	As required by suppliers	As required by utility companies	Utility providers
Utility Deposit ⁹	\$0	\$900	As required by suppliers	As required by utility companies	Utility providers
Insurance ¹⁰	\$2,100	\$2,850	As required by insurer	Before opening	Insurance providers
Your Training Expenses (transportation, lodging, and meals) ¹¹	\$5,000	\$7,000	As required for travel, lodging and meals	As incurred	Third-party providers
Marketing Campaign ¹²	\$6,000	\$6,000	As incurred	Prior to opening	Advertising providers and Us
Professional Fees ¹³	\$3,000	\$4,000	As required by providers	As incurred	Attorneys, other professional service providers
Business Permits and Licenses ¹⁴	\$500	\$2,000	As required by licensing authorities	Before opening	Licensing Authorities
Additional Funds-3 months ¹⁵	\$15,000	\$20,000	As incurred	After opening	Various
Total	\$292,742	\$486,783			

¹ Initial Franchise Fee. The amount stated in the Table is for one outlet operated pursuant to a single Franchise Agreement.

² Leasehold Improvements. This estimate is for the costs for improvements to your Franchised Business location without a tenant improvement allowance from the landlord. We have based our estimates on the historical experience of our affiliate. These estimates are applicable to a site which has been obtained in the “vanilla box” stage, which refers to an interior condition with existing heating/cooling with delivery systems, electrical switches and outlets, a finished ceiling, walls that are prepped for painting and a concrete slab floor.

³ Lease Deposits. This estimate represents a one-month deposit of rent for a 1,400 to 2,000 square foot location. Real estate costs vary widely from place to place. This estimate is based on the experience of our affiliate-owned outlet. Rental rates may be more or less than this range depending on the location of your Franchised Business. You may also incur real estate broker fees, additional prepayments (e.g., first and/or last month’s rent), common area maintenance (CAM) fees, real estate taxes and insurance costs, advertising or promotional fund fees or other costs, depending on the terms of your lease. Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract.

⁴Equipment. This estimate includes the equipment required for your Franchised Business, including kitchen equipment, at-counter equipment, refrigeration equipment, soft serve machine, can seamers, condiment stations, refrigerated units, stainless tables, espresso machine, drink dispensers, Boba cooker, Zumex juicer, sinks, refrigerators, shelving, a prep sink, and any other equipment we require in the operation of the Franchised Business.

⁵ Computer Equipment / Software (3 months). We require you to purchase computer systems and software meeting our minimum specifications for use at your Franchised Business. This estimate includes the cost of our current required POS system. We estimate the monthly ongoing fees for this software to be \$200. We reserve the right to change your requirements for computer hardware and software at any time. Please see Item 11 for computer and POS System requirements.

⁶ Accounting Service. We require you to use OnePoint Franchisee Accounting as your designated accounting vendor at a cost of approximately \$550/month with an initial set-up fee of \$750.

⁷ Signage. This estimate is for the cost to produce and mount storefront signage on the exterior of the premises as well as all interior window and wall graphics.

⁸Initial Inventory. This estimate is for the cost of the initial inventory sufficient for the first weeks of operation. Your initial inventory will include food and beverage products, paper, and plastic products, containers, accessories, merchandise, cleaning supplies and other products utilized in the operation of the store.

⁹ Utility Deposits. Utility providers set the amounts of the utility deposits. A credit check may be required by the issuing utility company prior to the initiation of services, or a higher deposit required for first time customers. These costs will vary depending on the type of services required for the facility and the municipality or utility provider from which they are being contracted. We have based our estimate on the experiences of our affiliate. The figures in the chart include deposits that may be refundable to you at a later time. In most cases, your lease will require you to pay electric, gas, water, and other utilities directly; however, some landlords cover some utility charges through operating fees.

¹⁰Insurance. Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. Insurance costs and requirements may vary widely in different localities. The estimate is for the first semi-annual premium for required minimum insurance coverage. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement.

¹¹ Your Training Expenses. The cost of the Initial Management Training Program for up to one (1) majority franchise owner and two (2) general managers, assistant managers, or additional franchise owners are included in the Initial Franchise Fee. The chart estimates the costs for transportation, lodging, and meals for your trainees. These incidental costs are not included in the Initial Franchise Fee. Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation and living expenses. The duration of the training program in Rockford, Illinois is up to ten (10) days, which may include weekend and evening hours.

¹²Grand Opening Marketing Campaign. During the 30 days prior to and first 30 days after the opening of your Franchised Business, we require you to spend at least \$6,000.00 on local advertising and promotional activities in your Territory, \$4,000 of which is paid to us for internet advertising during the grand opening marketing campaign. You may elect to expend additional amounts to conduct a larger, more elaborate grand opening marketing campaign. The estimate in the above Table includes the cost of promotional materials.

¹³Professional Fees. You may incur professional fees depending on the scope of work performed, which may include, legal and other professionals to review franchise documents and costs of forming a separate

legal entity and/or obtaining zoning approval. This amount will vary greatly depending on your specific needs and location. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your franchise.

¹⁴Business Permits and Licenses. This is an estimate of the costs of building permits, sign permits and a certificate of occupancy for your premises. Not all locations will require all of these permits, depending on the prior use of the premises and the requirements of local ordinances. This estimate also includes the cost of a local business license. The costs of permits and licenses will vary by location. We cannot estimate the cost of this license because requirements and fees vary widely. Please contact your local governing agency for this information.

¹⁵Additional Funds – 3 months. We relied on our affiliates’ experience in operating a Candy Cloud business in Rockford, Illinois since March 2022 when preparing this estimate. This is an estimate of the minimum recommended levels of additional funds that may be required to cover operating expenses during the first 3 months after commencing operations. This estimate includes such items as initial payroll and payroll taxes, repairs and maintenance, bank charges, initial staff recruiting expenses, and other miscellaneous items. These estimates do not include any compensation to you and does not include debt service costs.

We do not offer financing for any part of the initial investment.

All fees and payments are non-refundable, unless otherwise stated or permitted by payee.

**YOUR ESTIMATED INITIAL INVESTMENT
(Multi-Unit)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee (for 2 Outlets) ¹	\$72,000	Lump Sum	Upon signing the Multi-Unit Development Agreement	Us
Other Expenditures for the First Outlet ²	\$252,742 - \$446,783	As Disclosed in Single Unit Table	As Disclosed in Single Unit Table	As Disclosed in Single Unit Table
Total	\$324,742 - \$518,783			

In general, none of the expenses listed in the above chart are refundable.

¹ Please see Item 5 for information on the Development Fee.

² These are the estimates for development of your first outlet. Costs associated with building out additional outlets are subject to factors that we cannot estimate or control, such as inflation, increased labor costs or increased materials costs.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have identified various suppliers, distributors and manufacturers of equipment, fixtures, inventory and supplies that your Franchised Business must use or provide which meet our standards and requirements. You must purchase all items outlined in the Operations Manual, and any equipment or materials bearing the Marks in accordance with our specifications. You must also purchase your ingredients, any prepped and/or packaged foods required, cans and lids, paper/disposable goods, equipment, and furnishings from our designated suppliers and contractors. We maintain written lists of approved items of equipment, fixtures, inventory and suppliers (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items. We update these lists periodically and issue the updated lists to all franchisees.

We approve suppliers after careful review of the quality of the products they provide to use and our franchisees. If you would like us to consider another supplier, you must make such request in writing to use and have the supplier give us samples or its product or service and such other information that we may require. The written request shall include a payment by check of Seven Hundred and Fifty Dollars (\$750.00), and the Franchisor may charge the Franchisee with additional costs due to any research, product testing, administrative or any other expenses incurred by the Franchisor from the alternative supplier request. We do not maintain written criteria for approving suppliers, and this information is not available to franchisees. If the supplier meets our specifications, as we determine in our sole discretion, we will approve it as an additional supplier. We will make a good-faith effort to notify you whether we approve or disapprove of the proposed supplier within 60 days after we receive all required information to evaluate the product or service. If we do not approve any request within 30 days, it is deemed unapproved. We reserve the right to revoke approval of any supplier that does not continue to meet our then-current standards.

We require you to use OnePoint Franchisee Accounting as your designated accounting vendor at a cost of approximately \$550/month with an initial set-up fee of \$750.

Neither we nor any of our affiliates are the sole approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business. None of our officers has an ownership any interest in any approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business. If we or our affiliate become a designated or approved supplier, then we and our affiliate will reserve the right to earn a profit from the sale of products to our franchisees. During the fiscal year ended August 31, 2022, neither we nor our affiliate earned any revenue from the sale of required purchases to our franchisees.

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 80% - 90% of your costs to establish your Franchised Business and approximately 100% of your costs for ongoing operation.

We have the right to collect and retain any and all allowances, rebates, credits, incentives, or benefits (collectively, "Allowances") offered by manufacturers, suppliers, and distributors to you, to us, or to our affiliate, based upon your purchases of products (including proprietary products) and services from manufacturers, suppliers, and distributors. We or our affiliates will have all right, title, and interest in and to any and all of these Allowances. We or our affiliate may collect and retain any or all of these Allowances without restriction (unless otherwise instructed by the manufacturer, supplier, or distributor). During the fiscal year ended August 31, 2022, we and our affiliate did not earn any Allowances because we did not have any franchisees.

Currently, there are no purchasing or distribution cooperatives. However, we can require that you make your purchases through a cooperative if one is formed.

From time to time, we may negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees. As of the date of this Disclosure Document, we have not created any purchasing arrangements with suppliers.

You must obtain and maintain, at your expense, insurance coverage. Our system may regulate the types, amounts, terms and conditions of insurance coverage for your franchise and standards for underwriters of policies providing required insurance coverage; our protection and rights under the policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims. Our standards and requirements for insurance coverages will be included in the Franchise Agreement and our Operations Manual and will be periodically updated.

The following are the current insurance requirements: commercial general liability insurance in the amount of at least \$2,000,000 per occurrence and \$4,000,000 general aggregate, including coverage for public liability, personal injury in the amount of at least \$5,000, personal and advertising injury in the amount of at least \$2,000,000, and products liability/completed operation coverage in the amount of at least \$4,000,000; worker's compensation coverage in the limits required by state law and employer's liability insurance in the amount of \$100,000 per accident shall be carried on all of Franchisee's employees, as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated; fire, vandalism, and extended coverage insurance for property damage with primary and excess limits of not less than \$300,000 or such higher amount to cover the full replacement value of the leasehold improvements, equipment, furniture, fixtures, inventory, computer systems, and other personal property of the Franchised Business; employee dishonesty in the amount of at least \$10,000 per loss; and cyber liability insurance in the amount of at least \$250,000 for all first and third-party data breaches including identity theft, ransomware and data response/crisis management expenses.

Each policy must be written by a responsible carrier or carriers acceptable to us, with an A.M. Best rating of not less than A-VII, and must name us and our respective officers, directors, partners, agents and employees as additional insured parties. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement. We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

Obligation	Section or Article in Franchise Agreement	Section or Article in Multi-Unit Development Agreement	Item in Franchise Disclosure Document
a. Site Selection and Acquisition/Lease	8.1	Not Applicable	11

Obligation	Section or Article in Franchise Agreement	Section or Article in Multi-Unit Development Agreement	Item in Franchise Disclosure Document
b. Pre-Opening Purchase/Leases	8.1.3, 10.5, 12.3.1	Not Applicable	7, 11
c. Site Development & other Pre-Opening Requirements	8.2, 8.3	Article 5	11
d. Initial and Ongoing Training	Article 7	Not Applicable	11
e. Opening	8.3	Not Applicable	11
f. Fees	5.2.5, Article 6, 7.4, 7.5, 8.4, 11.4.3, 12.3.7, 12.6, 12.7, 15.6, 16.4, 18.1.4, 18.1.5	Article 4	5, 6, 7
g. Compliance with Standards and Policies/Operating Manual	Article 9, 12.1, 19.1.1	Not Applicable	8, 11
h. Trademarks and Proprietary Information	9.4, Article 14, 19.2, 19.3, 19.4	Not Applicable	13, 14
i. Restrictions on Products/Services Offered	12.1.6, 12.6, 16	Not Applicable	8
j. Warranty and Customer Service Requirements	N/A	Not Applicable	N/A
k. Territorial Development and Sales Quotas	3.1	Article 5	12
l. Ongoing Product/Service Purchases	12.3.4, 12.3.5	Not Applicable	8
m. Maintenance, Appearance and Remodeling Requirements	Article 9, 12.1.6, 12.1.7	Not Applicable	11,17
n. Insurance	Article 15	Not Applicable	7
o. Advertising	Article 13	Not Applicable	6, 11
p. Indemnification	15.6, 16.3.6, 21.1.1	Article 9	14
q. Owner's Participation, Management, Staffing	11.1, 11.4, 12.1.5	Not Applicable	11, 15
r. Records /Reports	12.2	Not Applicable	6

Obligation	Section or Article in Franchise Agreement	Section or Article in Multi-Unit Development Agreement	Item in Franchise Disclosure Document
s. Inspections and Audits	12.1.6, 12.2.5	Not Applicable	6, 11
t. Transfer	Article 16	Article 6	17
u. Renewal	Article 5	Not Applicable	17
v. Post-Termination Obligations	Article 18	Section 7.4	17
w. Non-Competition Covenants	19.5	Article 8	17
x. Dispute Resolution	Article 20	Article 10	17
y. Spouse Guaranty	11.3, Attachment 9	Not Applicable	15

ITEM 10: FINANCING

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

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

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

1. Pre-Opening Obligations

Before you open your Franchised Business, we will:

- a. approve the territory for your Franchised Business. Your territory will consist of a minimum population or geographic radius defined by Zip Codes or other readily ascertainable geographic boundaries. (Franchise Agreement, Section 3.1, 10.1).
- b. provide you with our then-current site selection guidelines and, at our discretion, provide you with site selection assistance (Franchise Agreement, Section 10.1).
- c. approve or disapprove the site for your Franchised Business. Within sixty (60) days of signing the Franchise Agreement, you must submit a written request for approval to us describing the proposed location and providing other information about the site that we reasonably request. We will respond within ten (10) business days, either accepting or rejecting the proposed location. We consider the following factors in approving a site: general location and neighborhood, distance from neighboring franchise territories, proximity to major roads and residential areas, traffic patterns, condition of premises, tenant mix, and demographic characteristics of the area (Franchise Agreement, Sections 8.1.2). If you do not identify a site that meets our approval within 60 days of signing the Franchise Agreement, we reserve the right to terminate the Franchise Agreement. If you are a Multi-Unit Operator, you must submit each proposed site to be developed under the minimum performance schedule to us for our approval within sixty (60) days of signing the Franchise Agreement for the outlet, which approval will be based on our then-current standards (Multi-Unit Development Agreement Section 5.3)

- d. We will not own and/or lease a site to you. You are responsible for negotiating a purchase or lease with the owner of a site we approve. Prior to signing your lease, you are required to submit it to us for our review and approval. Our review is for inclusion of terms for the protection of the System and Marks only. We will respond within ten (10) days, either approving or disapproving the lease or sales contract. The lease for any location must include our Conditional Assignment of Lease Agreement which is included as a part of the Franchise Agreement. You must acquire the site within thirty (30) days after our approval of the lease or sales contract. Failure to acquire the site within this time period is a default of the Franchise Agreement (Franchise Agreement Section 8.1.3).
- e. provide you with our then-current prototypical plans and specifications for the layout, design, appearance, and signage for your Candy Cloud Franchise. You, your architect and your contractor are required to adapt our prototypical plans and specifications for the construction of your premises and obtain permits. We do not adapt plans or obtain permits for you. We will review your adapted final construction plans and specifications. We review and approve your construction plans as they relate to compliance with our standards only. (Franchise Agreement, Sections 8.2.2, 10.2).
- f. provide you access to the Candy Cloud Operations Manual and other manuals and training aids we designate for use in the operation of your Candy Cloud Franchise, as they may be revised from time to time (Franchise Agreement, Section 10.3).
- g. approve or disapprove of all advertising, direct mail, and other promotional material and campaigns, including your grand opening campaign, that you propose in writing to us. We will respond within 10 business days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within 10 business days, the proposed material and/or campaign is deemed "disapproved" (Franchise Agreement, Section 13.6)
- h. provide you with our then-current written list of equipment, fixtures, furnishings, signage, supplies and products that will be required to open the Franchised Business. We and our affiliates do not deliver or install any of these items (Franchise Agreement, Section 10.5).
- i. recommend or set maximum prices for products and services at your Candy Cloud outlet, We do not determine the minimum prices that you must charge (Franchise Agreement, Section 12.5).
- j. provide you with initial training at an affiliate-owned outlet in Rockford Illinois or another location. We will determine, in our sole discretion, whether you satisfactorily complete the initial training (Franchise Agreement, Sections 7.1, 7.2).
- k. provide a trainer at your premises for on-site training, supervision and assistance for up to 6 days during the opening of your Franchised Business. (Franchise Agreement, Section 7.3).
- l. provide you with standards for qualifications and training of your employees. We do not otherwise assist you with employee hiring and training. (Franchise Agreement, Sections 12.1.6, 12.9).

2. Time to Open

We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your Franchised Business is approximately 180 days. Factors that may affect this time period include your ability to acquire a site, financing, zoning or other permits; compliance with local ordinances and restrictions; shortages for construction; delivery and installation of fixtures, signs and equipment, and completion of required training. If you have not obtained possession of your Candy Cloud premises within 90 days after signing the Franchise Agreement or if you have not opened your Franchised Business within 180 days after signing the Franchise Agreement, you must obtain our consent to extend the time to open, which we may or may not grant, at our discretion. Failure to open your Franchised Business within the

original time as extended is a default of the Franchise Agreement. (Franchise Agreement, Sections 8.3, 8.4). If you are a Developer, you must submit each proposed site to be developed under the mandatory development schedule to us for our approval, which approval will be based on our then-current standards. (Multi-Unit Development Agreement Section 5.2).

3. Obligations After Opening

During the operation of your franchise, we will:

- a. offer from time to time, in our discretion, mandatory or optional additional training programs. If we require it, you must attend mandatory additional training and/or an annual business meeting or franchisee conference offered by us for up to five (5) days each year at a location we designate. Failure to attend mandatory additional training or an annual business meeting or conference is a default of the Franchise Agreement. We reserve the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs. (Franchise Agreement, Section 7.4).
- b. upon your request, or as we determine to be appropriate, provide remedial on-site training and assistance at your premises. For any on-site remedial training, you must reimburse all costs for the services of our trainer, including but not limited to the trainer's then-current per diem fee and all travel-related expenses, such as transportation, meals and lodging. The current fee is \$400 per trainer per day of on-site training (Franchise Agreement, Section 7.5).
- c. upon your request, provide individualized assistance to you within reasonable limits by telephone, video conference, electronic mail or postage service, subject at all times to availability of our personnel and in reasonable limits (Franchise Agreement, Section 7.6).
- d. from time to time, as may become available, provide you with samples or camera-ready advertising and promotional materials (Franchise Agreement, Section 10.6).
- e. conduct inspections of your Franchised Business, at the frequency and duration that we deem advisable. Such inspections include evaluating your products, services, and premises to ensure that they meet our standards (Franchise Agreement, Section 10.4).
- f. provide you with our then current written specifications for required equipment, fixtures, products and services and provide you with updated lists of any approved suppliers of these items (Franchise Agreement, Section 10.7).
- g. approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within 10 business days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within 10 business days, the proposed material and/or campaign is deemed "disapproved". (Franchise Agreement, Section 13.6).
- h. recommend or set maximum prices for products and services at your Candy Cloud outlet, We do not determine the minimum prices that you must charge (Franchise Agreement, Section 12.5).

4. Advertising

Local Advertising (Franchise Agreement, Sections 13.2 and 13.6)

We require you to spend at least Ten Thousand Dollars (\$10,000) on initial local advertising and promotional activities from thirty (30) days immediately prior to the opening of your Franchised Business through sixty (90) days immediately following the opening of your Franchised Business. Six Thousand (\$6,000.00) of the initial local advertising shall be paid to the franchisor for internet marketing and Four Thousand Dollars (\$4,000.00) will be spent for banners, soft opening events, swag bags, and similar marketing. Thereafter, there is no minimum spend requirement per year on local advertising to promote your Franchised Business.

We reserve the right to establish a Local Advertising minimum spend requirement, with the maximum requirement being Six Thousand Dollars (\$6,000.00) per year.

You may develop advertising materials for your own use at your own cost, and you may use marketing materials that we may offer to you from time to time. You may not use any advertising or marketing materials, including press releases, unless they have been approved in advance in writing by us, which approval may be withheld in our discretion. We will respond to your request for approval within 10 business days; however, if we do not respond within 10 business days, the proposed advertising or marketing material is deemed “disapproved”.

We do not provide for placement of local advertising on your behalf, and we have no obligation to spend any amount on advertising in your area or territory, with the exception of the \$4,000 for internet marketing conducted as part of the grand opening marketing campaign. If feasible, you may do cooperative advertising with other Candy Cloud franchisees in your area, with our prior written approval. You may not maintain any business profile on Facebook, Twitter, LinkedIn, Instagram, TikTok, YouTube or any other social media and/or networking site without our prior written approval.

System-wide Brand Fund (Franchise Agreement, Section 13.3)

You are required to contribute to the Brand Fund two percent (2%) of weekly Gross Revenue, subject to increases not to exceed four percent (4%) of weekly Gross Revenue, generated by your Franchised Business. Each Candy Cloud outlet operated by our affiliates or us may contribute to the Brand Fund, in our discretion, but has no obligation to do so. For the fiscal year ended August 31, 2022, the Worldwide Creative Marketing Fund did not have any expenditures since it was not formed.

The Brand Fund is administered by us. We may use Brand Fund contributions to pay any and all costs for the development, production and placement of advertising, marketing, promotional and public relations materials and programs. We may also use Brand Fund contributions to pay any and all costs of marketing seminars and training programs, market research, services of advertising and/or public relations agencies, and website development and maintenance. We may further use Brand Fund contributions to pay our costs (including personnel and other administrative costs) for advertising that is administered by us or prepared by us, as well as for administration and direction of the Brand Fund.

The Brand Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we reserve the right to include “Franchises Available” or similar language and contact information in advertising produced with Brand Fund contributions.

The Brand Fund collects and expends the Brand Fund contributions for the benefit of the System as a whole. We reserve the right to use the Brand Fund contributions to place advertising in national, regional or local media (including broadcast, print, or other media) and to conduct marketing campaigns through any channel, in our discretion, including but not limited to, Internet and direct-mail campaigns. We have no

obligation, however, to place advertising or conduct marketing campaigns in any particular area, including the Territory where your Franchised Business is located.

The Brand Fund and its earnings shall not otherwise be to our benefit except that any resulting technology and intellectual property shall be deemed our property.

We have no obligation to make expenditures that are equivalent or proportionate to your Brand Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Brand Fund.

An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request.

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry-forward any surplus or deficit to the next fiscal year.

No Brand Fund contributions were required, made or expended in our most recently concluded fiscal year. Although the Brand Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

Regional Advertising (Franchise Agreement, Section 13.4)

Currently, our System has no regional advertising fund or cooperative. However, we may decide to establish a regional fund or cooperative in the future and your participation may be mandatory, in our sole discretion. A regional cooperative will be comprised of all franchised Candy Cloud outlets in a designated geographic area. Our affiliate-owned outlets may participate in a regional cooperative, in our sole discretion. Each Candy Cloud outlet will have one vote in the cooperative. We will determine in advance how each cooperative will be organized and governed. We have the right to form, dissolve, merge or change the structure of the cooperatives. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents.

If we establish a regional advertising fund or cooperative, you must contribute amounts we require. Your contributions to a regional advertising fund or cooperative will be in addition to your required contributions to the Brand Fund; however, contributions made by you to a regional advertising fund or cooperative will be credited against your required expenditures for local advertising.

Advertising Council (Franchise Agreement, Section 9.6)

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee's level of success, superior performance and studio profitability. We reserve the right to change or dissolve the council at any time.

5. **Computer Systems** (Franchise Agreement, Section 12.3)

You must purchase the hardware, software, system tools and processes as stated in the Operations Manual. Currently, you are required to have the following hardware and software: The current approximate cost of the required hardware and software is \$7,600.

Hardware: General purpose windows laptop, multi-function laser printer/scanner/copier, High Speed Internet, a point of sale system with cash drawer (“POS System”), 2 label printers, kiosks, 4 Apple iPads, and 2 menu/advertising displays.

You are required to use all software and applications that we specify and pay any subscription fees associated with them. We estimate the cost of this software is \$600 and the monthly ongoing fees for this software to be \$200.

Software	Function
Square	POS, credit card processing, calculate payroll, provide paychecks, file tax payments and payroll tax returns
Approved Supplier	Self-ordering kiosk system and kitchen display
Google Docs	Word processing, spreadsheets and presentations
Ring Surveillance	Store surveillance
Ring Central	Store phone system

The POS System performs a variety of functions, including order management, gift card and loyalty program management, payment processing, bookkeeping, and sales report generation.

We may in the future modify or establish other sales reporting systems as we deem appropriate, for the accurate and expeditious reporting of Gross Revenue and delivery of our products and services. You must fully cooperate in implementing any such modifications at your expense.

There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems or programs. We have no obligation to maintain, repair, update or upgrade your computer and software.

At your cost, you must provide on-going maintenance and repairs to your computer and software. You must upgrade your smart device, computer hardware and software as necessary to operate the most current version of our POS System and design software. We cannot estimate the cost of maintaining, updating and upgrading your smart device or computer hardware and software because it will depend on the make and model of your device and computer, repair history, usage, local cost of computer maintenance services in your area and technological advances that we cannot predict.

The POS System allows us to access all of your sales data independently and remotely, including your Gross Revenue, through the Internet. There are no contractual limitations on our right to have full access to this information. We may retrieve, download, analyze and store such information and data at any time. Upon our request, you must sign any documents we require to allow us to access and retrieve the information stored on the POS System independently and electronically. We own all customer data stored in the POS System.

6. Table of Contents of Operations Manual

The Table of Contents of our Candy Cloud Operations Manual, current as of the date of this Disclosure Document is attached as Exhibit E. The Operations Manual has a total of 201 pages.

7. Training (Franchise Agreement, Article 7)

You (if the franchisee is an individual) or your majority owner (if the franchisee is a business entity) and your general manager must complete our Initial Training Program, to our satisfaction, before opening your Franchised Business. We will train you at our location in Rockford, Illinois, or another location as we specify:

Column 1 Subject	Column 2 Hours of Classroom Instruction	Column 3 Hours of On-the-Job Training	Column 4 Location
History of Candy Cloud	30 minutes	0	Rockford, IL
Use of the Manuel	30 minutes	0	Rockford, IL
Tour of Candy Cloud	1	0	Rockford, IL
Pre-Opening Procedures	1	0	Rockford, IL
Personnel Issues	1	2	Rockford, IL
Advertising	1	2	Rockford, IL
Franchise Reporting Requirements	1	2	Rockford, IL
Management Procedures	1	7	Rockford, IL
Accounting/Record Keeping	1	2	Rockford, IL
Customer Service Procedures	1	7	Rockford, IL
Manager Duties	1	7	Rockford, IL
Back of House Procedures	1	35	Rockford, IL
Inventory Management	1	2	Rockford, IL
POS System	1	5	Rockford, IL
Cleaning Procedures	1	7	Rockford, IL
Safety Procedures	1	2	Rockford, IL
Totals	15	80	
Total Hours: 95			

We periodically conduct our Initial Training Program throughout the year, as needed, approximately every four weeks. Training is currently provided under the supervision of Alex Edwards.

Our Initial Training program is managed by Alex Edwards, whose biographical information is in Item 2. Each of our instructors has up to 5 years of experience relevant to the subject being taught, and at least 1 year of experience with us and/or our affiliate-owned outlets. We reserve the right to make changes to our training staff as we deem necessary and advisable without prior notice.

Our training materials consist of the operations manual, classroom instruction and on the job training.

The cost of our instructors and training materials for up to three (3) individuals one (1) of which must be the majority owner in the franchise and the two (2) can be the manager, assistant manager, or additional owner. You must pay for all travel and personal expenses, including, but not limited to, all costs for your transportation, meals, and lodging for yourself and your personnel. Our current fee to provide initial training to any additional trainee, who attends the same training session as you, is \$300 per person per day.

If you do not complete our Initial Management Training Program to our satisfaction, we reserve the right to terminate the franchise agreement.

We will provide you with on-site training, supervision and assistance for up to six (6) days during the soft opening of your Franchised Business.

We may conduct mandatory or optional additional training programs, including an annual conference or national business meeting. If we require it, you must attend mandatory training programs and or an annual conference or national business meeting that we offer for up to five (5) days each year at a location we designate. Failure to attend mandatory training, including an annual conference or business meetings are a default under the Franchise Agreement. We reserve the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. The current fee for additional and mandatory training is \$300 per person per day. Currently, we charge \$750 per person for our national business meeting, conference or annual convention. These fees are subject to increase. You must also pay for your transportation, lodging, meals, and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs.

ITEM 12: TERRITORY

Under the Franchise Agreement, you have the right to establish and operate one (1) Candy Cloud outlet within a territory that will be defined after the location of your Franchised Business is identified and approved by us (the "Territory"). You are required to find and obtain possession of a specific location in your Territory for your Franchised Business that meets our site selection standards and our approval. The Territory is located in all or a portion of a listed town, city, or county, and is identified by a group of contiguous zip codes. The Territory is determined on an individual basis taking into account population or geographic radius and will be further defined by political boundaries, zip codes, natural boundaries, competition and other factors we deem pertinent. There is no minimum territory size for a given Territory, and the exact size of each Territory we award varies based on the factors we have identified above. The Territory will be a minimum of a 2 mile radius around the address of the Franchised Business; Your Territory will be defined and attached to your Franchise Agreement as Attachment 2. If you do not yet have a location at the signing of the Franchise Agreement, you will receive a mutually agreeable non-exclusive site search area in Attachment 2.

If you are a unit franchisee or multi-unit developer, you will receive not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

During the term of your Franchise Agreement, and provided that you are not in default of your Franchise Agreement, we will not open another Candy Cloud outlet or grant the right to anyone else to open a Candy Cloud outlet within the Territory. However, notwithstanding this limited protection right we grant to you, we reserve all rights to sell our products and services under the Marks in the Territory through alternative distribution channels, as discussed below.

There is no minimum sales requirement, market penetration or other contingency that will affect your limited protected right to operate in the Territory during the term of your Franchise Agreement, unless you are in default of your obligations to us.

You may not change the location of your Franchised Business, without our written consent, which we may withhold in our sole discretion. If you wish to relocate, you must identify a new location for the Franchised Business that meets our approval, in accordance with our then-current site selection procedures, within 90 days. If you do not identify a site within this time period, we or you may terminate the Franchise Agreement. While you are closed for relocation, you must continue to pay us a minimum Royalty and Brand Fund contribution equal to the average paid during the four (4) calendar quarters immediately preceding the loss of your premises.

Unless you have signed our Multi-Unit Development Agreement, we may, but have no obligation to, consider granting to you the right to establish additional Candy Cloud outlets under other franchise

agreements if you are in compliance with the Franchise Agreement and propose to open another Candy Cloud outlet in an area and at a location we approve. The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises.

If you are a Multi-Unit Developer, each Franchised Business and its Territory will be located within your Development Area. The designated geographical territory for each Franchised Business will depend on whether your Restaurant will be located in an urban or a suburban setting. There is no minimum territory size for a given Territory, and the exact size of each Territory we award varies based on the factors we have identified above.

We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate, or authorize others to own or operate Candy Cloud outlets outside of the Territory and may operate other kinds of businesses within the Territory. Although we do not currently do so and have no plans to do so, we and our affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Marks, including a product or service similar to those you will sell at your Franchised Business. We reserve the right to merge with, acquire, or be acquired by, an existing competitive or non-competitive franchise network, chain, or other business; however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Franchise Agreement.


We and our affiliates may sell products and services under the Marks within or outside the Territory through any method of distribution other than a dedicated Candy Cloud outlet location, including, licensing our designs for use in other formats, and sales through such channels of distribution such as grocery stores, co-branding within other food outlets; in captive market locations and non-traditional retail locations, such as such as shopping centers, amusement parks, sports stadiums, transportation centers, military bases, and the Internet (“Alternative Distribution Channels”). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory.

You may not use Alternative Distribution Channels to make sales inside or outside your Territory; however, we will include a listing on our website with a link to your Candy Cloud outlet location. You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory.

The Franchise Agreement does not grant you any right to participate in franchises, licensing programs or other business proposals for the sale and distribution of Candy Cloud products or services through Alternate Distribution Channels.

ITEM 13: TRADEMARKS

Candy Cloud IP LLC (“Licensor”) is the owner of the Marks and has granted us the exclusive right to use the Marks and license to others the right to use the Marks in the operation of a Candy Cloud outlet in accordance with the System. The Franchise Agreement will license to you the right to operate your Franchised Business under the Candy Cloud service mark, as described below (“Principal Mark”):

Mark	Serial Number	Application Date	Registration Number	Registration Date	Register
	97/538,623	August 7, 2022	Pending	Pending	Principal
CANDY CLOUD	90/795,725	June 25, 2021	6,786,540	July 12, 2022	Principal

We have not registered the logo that is on the cover page of this Franchise Disclosure Document. Therefore, this logo does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative logo, which may increase your expenses.

We expect and intend to work with the Licensor to file all required affidavits with the USPTO for the Principal Marks above, as and when they become due and have filed all required affidavits to date.

You must notify us immediately when you learn about an infringement of or challenge to your use of the Principal Mark or other Marks. Licensor and we will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of the Principal Mark or other Marks. Licensor and we have the right to control any administrative proceedings or litigation involving the Principal Mark or other Mark licensed by us to you. You must cooperate fully with Licensor and us in defending and/or settling the litigation.

We reserve the right to substitute different Marks if we can no longer use the current Marks, or if we determine that substitution of different Marks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any Mark, including the Principal Mark, or to use one or more additional or substitute Marks.

You must not directly or indirectly contest Licensor's right, or our right, to the Principal Mark or other Marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the Marks. There is no pending infringement, opposition or cancellation. There is no pending material federal or state court litigation involving the Principal Mark or other Marks.

There are no currently effective agreements that significantly limit Licensor's or our rights to use or license the use of the Principal Mark or other Marks in a manner material to the franchise.

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Mark.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights: We do not have an ownership interest in any patents or copyrights that are material to the franchise. We have no pending patents or copyrights.

Confidential Operations Manual: You must operate the Franchised Business in accordance with the standards and procedures specified in the Manual. One copy of the Manual will be loaned to you or provided to you virtually by us for the term of the Franchise Agreement.

You must treat the Manual and any other manuals we create or approve for use in your operation of the Franchised Business, and the information contained in them, as confidential. You must also use all reasonable efforts to maintain this information as secret and confidential and you must not duplicate, copy, record or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Manual remains our sole property and must be kept in a secure place on the Franchised Business premises.

We may revise the contents of the Manual and you must comply with each new or changed standard. You must also make sure that the Manual is kept current at all times. If there is a dispute

regarding the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

Confidential Information: We claim proprietary rights in certain of our recipes which are included in the Manual and which are our trade secrets. You and each of your Principals are prohibited, during and after the term of your Agreement, from communicating, or using for the benefit of any other person or entity, and, after the term of your Agreement, from using for your or their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Franchised Business that may be communicated to you or any of your Principals or that you may learn about, including these trade secrets. You and each of your Principals may divulge this confidential information only to your employees who must have access to it to operate the Franchised Business. Neither you nor your Principals are permitted at any time, without first obtaining our written consent, to copy, record or otherwise reproduce the materials or information nor make them available to any unauthorized person. Any and all information, knowledge, know-how and techniques related to the System that we communicate to you, including the Manual, recipes, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, are considered confidential.

You must have your staff, management and any other individuals that have received or will have access to confidential information sign confidentiality covenants similar to the ones described above. We will be a third-party beneficiary of these covenants with the independent right to enforce them.

If you, Principals or employees develop any new concept, process or improvement in the operation or promotion of the Franchised Business, you must promptly notify us and give us all necessary information, free of charge. You and the Principals acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

ITEM 15: OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement does not require that you personally supervise your Candy Cloud outlet after 60 days of operation, although we recommend it. If you choose not to personally supervise your outlet your Candy Cloud outlet must be directly supervised by a general manager. Your general manager can either be you or someone appointed by you who is acceptable to us. Your general manager must successfully complete our Initial Management Training Program and all other training courses we require. Your general manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors. If the franchisee is a business entity, your general manager is not required to have an equity interest in the franchisee entity.

Your manager and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Non-Disclosure/Non-Competition Agreement, which is attached to our Franchise Agreement as Attachment 9. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. If you are a married individual, your spouse must sign our Guaranty, which is attached to our Franchise Agreement as Attachment 8.

ITEM 16: RESTRICTION ON WHAT FRANCHISEE MAY SELL

You must offer and sell all products and services that are part of the System, and all services and products which we incorporate into the System in the future. You may only offer products and services that we have previously approved.

You may not use our Marks for any other business, and you may not conduct any other business from your Franchised Business location. You cannot engage in any other business that competes with your

Franchised Business, with us or our affiliates, or with Candy Cloud outlets owned by other franchisees, whether such business is inside or outside of the Territory.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications, but only if the changes do not materially and unreasonably increase your obligations under the Franchise Agreement. There are no other limits on our rights to make these changes.

You may only sell products and services in the manner we prescribe. You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory. See Item 12 for restrictions on sales within and outside the Territory.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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.

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Article 4	Term is five (5) years.
b.	Renewal or extension of the Term	Section 5.1	If you are in good standing as defined below, you can sign a successor agreement for up to three (3) additional terms of 5 years each, unless we have determined, in our sole discretion, to withdraw from the geographical area where your Franchise is located.
c.	Requirements for franchisee to renew or extend	Sections 5.2 and 5.3	Be in full compliance, have no more than three (3) events of default during current term, provide written notice to us at least nine months before the end of the term, execute a new franchise agreement, pay us the Successor Agreement Fee equal to 10% of the then-current initial franchise fee, continue to have the right to occupy the premises or have received approval from us to relocate, remodel your Franchised Business location, execute a general release, comply with then-current qualifications and training requirements, including completion of additional training. You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.
d.	Termination by franchisee	None	You may seek termination upon any grounds available by state law.
e.	Termination by franchisor without cause	Section 16.7	The Franchise Agreement will terminate upon your death or permanent disability and the Franchise must be transferred within six months to a replacement franchisee that we approve.

	Provision	Section in Franchise Agreement	Summary
f.	Termination by franchisor with cause	Article 17	We may terminate only if you default. The Franchise Agreement describes defaults throughout. Please read it carefully.
g.	“Cause” defined – curable defaults	Section 17.3	You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Franchise Agreement and described in h. immediately below).
h.	“Cause” defined - non-curable defaults	Sections 17.1 and 17.2	The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days. We may terminate the Franchise Agreement upon notice to you if you: do not acquire a site, do not complete construction and/or open the Franchised Business within required time frames; falsify any report to us; cease operations for 5 days or more, unless the premises are damaged and you apply to relocate; lose possession of the premises, unless you are not at fault for loss and you timely apply to relocate; fail to restore and re-open the Franchised Business within 120 days after a casualty; fail to comply with applicable laws; default under any lease for the premises; understate Gross Revenue two (2) or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or crime that could damage the goodwill or reputation of the Marks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of the Marks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use the Marks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations three (3) or more times during the term or receive two (2) or more default notices in any 12-month period; default under any other agreement with us or our affiliate; have insufficient funds to honor a check or EFT two (2) or more times within any twelve (12)-

	Provision	Section in Franchise Agreement	Summary
			month period; or terminate the Franchise Agreement without cause. Default under the multi-unit development agreement will not grant us the right to terminate your franchise agreement.
i.	Franchisee's obligations on termination/ non-renewal	Article 18	Upon termination, you must: cease operations; cease to identify yourself as a Candy Cloud franchisee; cease to use the Marks; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorneys' fees; deliver to us all Confidential Information, the Operations Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; pay liquidated damages; sell to us, at our option, all furnishing, fixtures, equipment, inventory and supplies of your Franchised Business; and assign, at our option, your telephone numbers, directory and internet listings, and social media and software accounts and the lease for the location.
j.	Assignment of contract by franchisor	Section 16.1.1	No restrictions on our right to assign.
k.	"Transfer" by franchisee defined	Section 16.2 and 16.3	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in the Franchisee (if the Franchisee is a business entity).
l.	Franchisor approval of transfer by franchisee	Section 16.3	No transfer is allowed without our consent, which we will not unreasonably withhold.
m.	Conditions for franchisor approval of a transfer	Section 16.3 and 16.4	Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee and its general manager successfully complete our Initial Management Training Program; you have paid us and third-party creditors all amounts owed; you and the transferee sign a General Release in the form of Attachment 3 to the Franchise Agreement; you shall subordinate any claims you have against the transferee to us; you will indemnify us for a period of 3 years following the transfer; our approval of the material terms and conditions of the transfer; landlord's consent of a lease assignment, if applicable; payment of a transfer fee equal to 50% of the then-current initial franchise fee. For transfers to an existing

	Provision	Section in Franchise Agreement	Summary
			franchisee in good standing, the transfer fee is 20% of the then-current initial franchise fee. For transfers to an entity owned and controlled by the franchisee for convenience purposes or for transfers among owners that do not change management control, the transfer fee is \$2,500.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 16.6	You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b)we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties.
o.	Franchisor's option to purchase franchisee's business	Section 18.2	Upon termination of the Franchise Agreement, we have the option to purchase your furniture, equipment, signs, advertising materials, supplies and inventory at your cost or fair market value, whichever is less.
p.	Death or disability of franchisee	Sections 6.9, 16.7	The Franchise Agreement will terminate upon your death or permanent disability, and the Franchise must be transferred within six months to a replacement franchisee that we approve.
q.	Non-competition covenants during the term of the franchise	Section 19.5.1	You may not: divert, or attempt to divert, customers of any Candy Cloud outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee, or agent, in any competing business; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 19.5.2	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Candy Cloud outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within 25 miles of your former Candy Cloud outlet location or any other Candy Cloud outlet location; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
s.	Modification of the agreement	Sections 9.4, 14.6, 19.1.4	No oral modifications generally, but we may change the Operations Manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our Marks at any time upon written notice to you.
t.	Integration/merger clause	Section 21.4	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to

	Provision	Section in Franchise Agreement	Summary
			applicable state law.) Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Sections 20.1 and 20.2	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters.
v.	Choice of forum	Section 20.3	Litigation takes place in Illinois, subject to applicable state law.
w.	Choice of law	Section 20.3	Illinois law applies, subject to applicable state law.

**THE FRANCHISE RELATIONSHIP
(UNDER THE MULTI-UNIT DEVELOPMENT AGREEMENT)**

This table lists certain important provisions of the multi-unit development agreement. You should read these provisions in the agreement attached to this disclosure document.

	Provision	Section in Multi-Unit Development Agreement	Summary
a.	Length of the franchise term	Art. 3	As determined by you and us based on the number of Candy Cloud outlets you are to develop.
b.	Renewal or extension of the Term	Not Applicable	Not Applicable
c.	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d.	Termination by franchisee	Not Applicable	You may seek termination upon any grounds available by state law.
e.	Termination by franchisor without cause	Section 6.6	The Multi-Unit Development Agreement will terminate automatically upon your death or permanent disability, unless prohibited by law and the Development Rights are transferred within 6 months to a replacement developer that we approve.
f.	Termination by franchisor with cause	Article 7	We may terminate only if you default. The Multi-Unit Development Agreement describes defaults throughout. Please read it carefully.
g.	“Cause” defined – curable defaults	Section 7.3	You have 5 days to cure non-payments, any non-monetary obligations imposed by the Multi-Unit Development Agreement and any other defaults (except for non-curable defaults listed in the Multi-Unit Development Agreement and described in h. immediately below).
h.	“Cause” defined - non-curable defaults	Sections 7.1 and 7.2	The Multi-Unit Development Agreement will terminate automatically, without notice for the following defaults: insolvency; making a general assignment for the benefit of creditors; bankruptcy; written admission of inability to

Provision	Section in Multi-Unit Development Agreement	Summary	
		pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; if your entity is dissolved; or foreclosure proceeding that is not dismissed within 30 days. We may terminate the Multi-Unit Development Agreement upon notice to you if you: misrepresent or omit a material fact in applying for the Development Rights; falsify any report to us; fail to comply with any federal, state or local law, rule or regulation, applicable to the development and operations of your Candy Cloud outlets, including, but not limited to, the failure to pay taxes; fail to develop the Candy Cloud outlets in accordance with the Mandatory Development Schedule; attempt a transfer in violation of the Multi-Unit Development Agreement; are convicted or plead no contest to a felony or crime that could damage the goodwill or reputation of our trademarks or the System; receive an adverse judgment or a consent decree in any proceeding involving allegations of fraud, racketeering or unfair or improper trade practices or similar claim that could damage the goodwill or reputation of our trademarks or the System; fail to comply with non-disclosure and non-competition covenants; default, or your affiliate defaults, under any other agreement, including any Franchise Agreement, with us or any of our affiliates, your suppliers or landlord, and you do not cure such default within the time period provided in such other agreement; or terminate the Multi-Unit Development Agreement without cause. Termination of a franchise agreement under the multi-unit development agreement is grounds for termination of the multi-unit development agreement. This is known as a cross-default provision.	
i.	Franchisee's obligations on termination/ non-renewal	Section 7.4	Upon termination, you must: cease all development operations and comply with the non-disclosure and non-competition covenants.
j.	Assignment of contract by franchisor	Section 6.1	No restrictions on our right to assign.
k.	"Transfer" by franchisee defined	Section 6.3	Any assignment, sale, transfer, gift, devise, convey or encumbrance of any interest in the Multi-Unit Development Agreement or Development Rights.
l.	Franchisor approval of transfer by franchisee	Sections 6.2, 6.3	No transfer is allowed without our consent, which we will not unreasonably withhold.
m.	Conditions for franchisor approval of a transfer	Section 6.3 and 6.4	Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying developers; transferee agrees to complete our Initial Management Training Program to our

	Provision	Section in Multi-Unit Development Agreement	Summary
			satisfaction; you have paid us all amounts owed; transferee signs our then-current form of Multi-Unit Development Agreement, which may have materially different terms from your Multi-Unit Development Agreement; you and the transferee sign a General Release in the form of Attachment 3 to the Franchise Agreement; you shall subordinate any claims you have against the transferee to us; our approval of the material terms and conditions of the transfer; payment of a transfer fee equal to 50% of the then-current initial franchise fee. For transfers to an existing franchisee in good standing, the transfer fee is 20% of the then-current initial franchise fee. For transfers among existing owners the transfer fee is \$2,500. The transfer fee is multiplied by the number of outlets for which a development right has been granted but not yet exercised.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 6.5	You must promptly notify us of any written offer to purchase your Development Rights. We have 30 days to exercise our first right to buy your Development Rights on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties.
o.	Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p.	Death or disability of franchisee	Section 6.6	The Multi-Unit Development Agreement will terminate automatically upon your death or permanent disability, unless prohibited by law and the Development Rights are transferred within 6 months to a replacement developer that we approve.
q.	Non-competition covenants during the term of the franchise	Section 8.3.1	You may not: divert, or attempt to divert, customers of any Candy Cloud outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 8.3.2	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Candy Cloud outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within

	Provision	Section in Multi-Unit Development Agreement	Summary
			twenty-five (25) miles of your former Candy Cloud outlet location or any other Candy Cloud outlet location (franchised or company owned); do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
s.	Modification of the agreement	Section 11.4	No oral modifications. No amendment of the provisions will be binding upon either party unless the amendment has been made in writing and executed by all interested parties.
t.	Integration/merger clause	Section 11.4	Only the terms of the Multi-Unit Development Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of Multi-Unit Development Agreement may not be enforceable. Notwithstanding the foregoing, nothing in the Multi-Unit Development Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Sections 10.2, 10.3, and 10.4	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration, excluding claims related to injunctive relief, anti-trust, the trademarks, and post-termination obligations. Subject to state law.
v.	Choice of forum	Section 10.5	Illinois, subject to applicable state law.
w.	Choice of law	Section 10.5	Illinois law applies, subject to applicable state law.

See the state addenda to this Franchise Disclosure Document and the Franchise Agreement for special state disclosures.

ITEM 18: PUBLIC FIGURES

We do not currently use any public figures to promote our franchise.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/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 have one Candy Cloud outlet that is owned and operated by our affiliate. The below historical financial performance representations include the Royalty and Brand Fund Contribution that a franchisee-operated outlet would be expected to pay. We have included the financial representations for this outlet from March 5, 2022 to March 5, 2023 below.

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

The reasonable basis for inclusion of this Financial Performance Representation is the affiliate-owned outlet is similar to the franchise being offered under this Disclosure Document in terms of operations and product offerings. There are no material financial or operational characteristics of the below affiliate-owned outlet that are reasonably anticipated to differ materially from future franchise outlet operations. The affiliate-owned outlet is different from the franchise being offered in that it does not pay any Royalty Fees or Brand Fund Contribution to us and is not subject to territorial advertising or service restrictions.

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

Candy Cloud Rockford	
March 5 2022 - March 5 2023	
Gross Revenue	1,600,334
Cost of Goods Sold	
Cost of Goods Sold	490,072.00
Subcontractors	601.71
Supplies	11,200.00
Wages & Salaries	378,751.00
Total Cost of Goods Sold	880,624.71
Gross Profit	719,709.29
Operating Expenses	
Business License & Fees	382.83
Dues & Subscriptions	379.00
Insurance	896.00
Office Expenses	25,822.99
Payroll Tax Expense	54,104.00
Professional Fees	28,961.00
Rent Expense	37,805.00
Repairs & Maintenance	13,525.27
Small Equipment	11,151.93
Utilities	16,503.00
Total Operating Expenses	189,531.02
Operating Income	530,178.29
Franchisee Fees	
Assumed Franchisee Royalty Fee (6%)	96,020.64
Marketing Fund Fee (2%)	32,006.68
Net Income	402,150.97

* "Gross Revenue" includes all revenues and income from any source derived or received by the affiliate-owned outlet, including but not limited to, any and all other revenues received using our methods,

operations and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Alex Edwards, 9934 N Alpine Road Machesney Park IL 61115, 815-264-2168, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Years 2020 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company – Owned*	2020	0	0	0
	2021	0	0	0
	2022	0	1	+1
Total Outlets	2020	0	0	0
	2021	0	0	0
	2022	0	1	+1

*Company-owned outlets are operated by affiliated entities.

Table No. 2
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Number of Transfers
None	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchised Outlets
For Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminati ons	Column 6 Non- renewal s	Column 7 Reacquire d by Franchisor	Column 8 Ceased Operatio ns - Other Reasons	Column 9 Outlets at End of the Year
None	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

Sure
Table No. 4
Status of Company Owned* Outlets
For Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Open ed	Column 5 Outlets Reacquired from Franchise es	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchise es	Column 8 Outlets at End of the Year
Illinois	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1

Table No. 5
Projected Openings as of August 31, 2022

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company Owned Outlets in the Next Fiscal Year
Total	0	0	0

* Company-owned stores are operated by affiliated entities.

A list of the names of all franchisees and the addresses and telephones numbers of the franchises will be provided in Exhibit F to this disclosure document when applicable.

During our last fiscal year, no franchisee has had an outlet terminated, canceled, not renewed, or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or has not communicated with us within 10 weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Disclosure Document.

ITEM 21: FINANCIAL STATEMENTS

Candy Cloud Franchising LLC, was formed on July 12, 2022. Because we have not been in business for three (3) years, we are not able to include the three (3) prior years of audited financial statements normally required by this Item 21. Our audited opening balance sheet and statement of operations dated August 31, 2022 and audited financial statements for August 31, 2022 are included in Exhibit D. Also attached are our unaudited financial statements as of January 31, 2023.

Our fiscal year end is August 31.

ITEM 22: CONTRACTS

Franchise Agreement	Exhibit B
Multi-Unit Development Agreement	Exhibit C
Franchisee Acknowledgment	Exhibit H

ITEM 23: RECEIPT

A receipt in duplicate is attached to this Disclosure Document as Exhibit I. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to Alex Edwards, Candy Cloud Franchising LLC, 9934 N Alpine Road Machesney Park IL 61115.

EXHIBIT A

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau

State	State Agency	Agent for Service of Process
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	New York State Department of Law Investor Protection Bureau, Franchise Section 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8222 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5 th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B
FRANCHISE AGREEMENT

EXHIBIT C

MULTI-UNIT DEVELOPMENT AGREEMENT

EXHIBIT D
FINANCIAL STATEMENTS

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

EXHIBIT E

OPERATIONS MANUAL TABLE OF CONTENTS



CANDY CLOUD FRANCHISE OPERATIONS MANUAL

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**Appendix: Forms
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EXHIBIT F

OUTLETS AS OF AUGUST 31, 2021

None.

Franchise Agreements Signed But Outlet Not Open as of August 31, 2021

None.

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

Former Franchisees

Franchisees that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or has not communicated with the franchisor within the 10 weeks preceding the Issuance Date of this Disclosure Document:

None.

EXHIBIT G
STATE ADDENDA

INDIANA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. §§ 1 - 51 (1994) and the Indiana Deceptive Franchise Practices Act, Ind. Code Ann. § 23-2-2.7 (1985) (collectively referred to as the “Acts”). To the extent that (a) the jurisdictional requirements of the Acts are met and (b) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

(a) To the extent the Franchise Agreement contains provisions allowing the establishment of franchisor-owned outlets that are inconsistent with the Indiana Deceptive Franchise Practices Act § 23-2-2.7(2), the requirements of this section of the Indiana Act will control.

(b) The franchisor may not make any substantial modification of the Franchise Agreement without the franchisee’s written consent.

(c) To the extent any provision regarding renewal or termination of the Franchise Agreement is inconsistent with the Indiana Deceptive Franchise Practices Act §§ 23-2-2.7(7) and (8), the provisions of these sections of the Indiana Act will control.

(d) Any requirement in the Franchise Agreement that requires the franchisee to prospectively assent to a release, assignment, novation, wavier or estoppel shall not relieve any person from liability arising under the Acts.

(e) To the extent the covenants not to compete upon expiration or termination of the Franchise Agreement are inconsistent with the Indiana Deceptive Franchise Practices Act § 23-2-2.7(9), the provisions of this section of the Indiana Act will control.

(f) To the extent that any provision of the Franchise Agreement would be deemed unenforceable pursuant to the Indiana Deceptive Franchise Practices Act § 23-2-2.7(10), as this section of the Indiana Act is interpreted and applied, such provision of the Franchise Agreement shall be so deleted therefrom.

The parties hereto have duly executed this Indiana Amendment to the Franchise and Multi-Unit Operator Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISEE:

FRANCHISOR:
CANDY CLOUD FRANCHISING LLC

By: _____
Name: _____
Title: _____

By: _____
Name: Alex Edwards
Title: Chief Executive Officer

PRINCIPAL:

Name: _____

ILLINOIS AMENDMENT TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS §§ 705/1 et seq. (1987) (the “Act”), which govern the Candy Cloud Franchising LLC Franchise Agreement (the “Franchise Agreement”) and Multi-Unit Development Agreement (the “Multi-Unit Development Agreement”) the parties thereto agree as follows:

1. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“Section 4 of the Act provides that no franchisee shall be required to litigate any cause of action, with the exception of arbitration proceedings, arising under the Franchise Agreement or the Act outside of the State of Illinois.”
2. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“Illinois law governs the Franchise Agreement.”
3. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Act, or any other Illinois law is void. The foregoing requirement, however, shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, and shall not prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”
4. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

“To the extent any provision regarding termination or renewal of the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act §§ 815 ILCS §§ 705/19 and 705/20, the provisions of these sections of the Act will control.”
5. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside Illinois.
6. Your rights upon Termination and Non-Renewal are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.
7. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provisions purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
8. To the extent any provision regarding termination or renewal of the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act §§ 815 ILCS §§ 705/19 and 705/20, the provisions of these sections of the Act will control.
9. No franchisee shall be required to litigate any cause of action, with the exception of arbitration proceedings, arising under the Franchise Agreement or the Act outside of the State of Illinois, nor shall the Franchise Agreement provide for a choice of law provision for any state other than Illinois.

10. Any condition, stipulation, or provision purporting to bind a franchisee to waive compliance with any provision of the Act, or any other Illinois law is void. The foregoing requirement, however, shall not prevent a franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, and shall not prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

11. **In Illinois, payment of Initial Franchise Fees owed to Franchisor/affiliate will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. The Illinois Attorney General’s Office imposed this deferral requirement due to the Franchisor’s financial condition.**

12. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

The parties hereto have duly executed this Illinois Amendment to the Franchise and Multi-Unit Operator Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISEE:

FRANCHISOR:
CANDY CLOUD FRANCHISING LLC

By: _____
Name: _____
Title: _____

By: _____
Name: Alex Edwards
Title: Chief Executive Officer

PRINCIPAL:

Name: _____

MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. Item 6, Non-Sufficient Funds Fee, is amended to state:

Pursuant to Minn. Stat. § 604.113, the Non-Sufficient Funds Fee is \$30.00 per occurrence.

2. Item 17 is amended to state:

(a) Minn. Stat. § 80C.21 and Minnesota Rules § 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Franchise Disclosure Document or agreement(s) shall abrogate or reduce (1) any of your rights as provided for in Minn. Stat. Chapter 80C or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(b) In accordance with Minn. Stat. § 80C.14 subd. 3-5, except in certain specified cases, we will give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement. Additionally, we will not unreasonably withhold our consent to a transfer of your Board and Brush Creative Studio.

(c) In accordance with Minnesota Rules 2860.4400(D), we cannot require you to assent to a general release.

(d) In accordance with Minnesota Rules 2860.4400(J), we cannot require you to consent to liquidated damages.

(e) Minn. Stat. § 80C.17 subd. 5 requires that an action be commenced pursuant to the Franchise Act within three (3) years after the cause of action accrues.

(f) You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rules 2860.4400(J).

(g) In accordance with Minnesota law. Minn. Stat. §80C.14, Franchisor shall share in Franchisee's loss, costs or expenses in the event Franchisor rebrands the franchised business during the term of the franchise agreement.

3. **In Minnesota the payment of Initial Franchise Fees owed shall be deferred until the Franchised Business has commenced doing business.**

**MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT
AND MULTI-UNIT DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Minnesota Statutes Chapter 80C, the parties to the attached Candy Cloud Franchise Agreement (the "Franchise Agreement") agree as follows:

1. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee's assent to a release other than as part of a voluntary settlement of disputes. To the extent of any inconsistencies with the Minnesota Rules requirement contained in Sections 5.2.5 or 16.3.6 of the Franchise Agreement, such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 5.1.1 of the Franchise Agreement is hereby amended to state:

"Except in certain specified cases as set forth in Minn. Stat. § 80C.14 subd. 4, Franchisor will give Franchisee 180 days' notice for non-renewal of the Franchise Agreement."

3. To the extent of any inconsistencies, Section 6.4 of the Franchise Agreement is hereby amended to state that the non-sufficient funds fee is Thirty Dollars (\$30.00) per occurrence.

4. To the extent of any inconsistencies, Sections 17.1 through 17.3 of the Franchise Agreement are hereby amended to state:

"Except in certain specified cases as set forth in Minn. Stat. § 80C.14 subd. 3, Franchisor will give Franchisee 90 days notice of termination (with 60 days to cure)".

5. To the extent of any inconsistencies, Article 20, Dispute Resolution, of the Franchise Agreement is hereby amended to state:

"Franchisor cannot require Franchisee to: (i) conduct litigation outside Minnesota, (ii) waive a jury trial, or (iii) consent to liquidated damages, termination penalties or judgment notes. Nothing in this Franchise Agreement shall abrogate or reduce (1) any of Franchisee's rights as provided for in Minn. Stat. Chapter 80C or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Franchisee cannot consent to Franchisor obtaining injunctive relief. Franchisor may seek injunctive relief."

6. In accordance with Minnesota law. Minn. Stat. §80C.14, Franchisor shall share in Franchisee's loss, costs or expenses in the event Franchisor rebrands the franchised business during the term of the franchise agreement.

7. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Statutes Chapter 80C are met independently without reference to this Amendment.

8. Sections 6.2, 6.7, 6.8, 18.1.8 of the Franchise Agreement are amended by addition of the following language: "These provisions are not enforceable under Minnesota law."

9. The Franchisor's right to the primary trademark may have infringing use by a non-competitive and unrelated business operating in South Dakota, this could adversely affect franchisees use of those primary trademarks in Minnesota.

10. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

11. No statement, questionnaire, or acknowledgement 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 with the franchisee.

12. In Minnesota the payment of Initial Franchise Fees owed shall be deferred until the Franchised Business has commenced doing business.

The parties hereto have duly executed this Minnesota Amendment to the Franchise and Multi-Unit Operator Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISEE:

FRANCHISOR:
CANDY CLOUD FRANCHISING LLC

By: _____
Name: _____
Title: _____

By: _____
Name: Alex Edwards
Title: Chief Executive Officer

PRINCIPAL:

Name: _____

**VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT**

1. 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 grounds 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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a Franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

2. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Amendment.

3. 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.

4. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Virginia Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISEE:

By: _____

Name: _____

Title: _____

FRANCHISOR:

CANDY CLOUD FRANCHISING LLC

By: _____

Name: Alex Edwards

Title: Chief Executive Officer

PRINCIPAL:

Name: _____

EXHIBIT H

CANDY CLOUD ACKNOWLEDGEMENT STATEMENT

[VOID IN CALIFORNIA AND MARYLAND]

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement (or Multi-Unit Development Agreement). Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee (or developer) 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.

1. Franchisee (or Developer) has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the Franchised Business. Franchisee (or Developer) further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee (or Developer) by Franchisor and Franchisee (or Developer) and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee (or Developer) may experience as a franchisee (or developer) under this Agreement.

Initial

2. Franchisee (or Developer) has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee (or Developer) and its efforts as an independent business operation.

Initial

3. Franchisee (or Developer) agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement (or Multi-Unit Development Agreement) and that it/she/he understands all the terms and conditions of the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) further acknowledges that the Franchise Agreement (or Multi-Unit Development Agreement) contains all oral and written agreements, representations, and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

Initial

4. Franchisee (or Developer) has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the

business contemplated by the Franchise Agreement (or Multi-Unit Development Agreement) that are contrary to the terms of the Franchise Agreement (or Multi-Unit Development Agreement) or the documents incorporated herein. Franchisee (or Developer) acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

5. Franchisor expressly disclaims the making of, and Franchisee (or Developer) acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

6. Franchisee (or Developer) acknowledges that Franchisor's approval or acceptance of Franchisee's (or Developer's) Business location does not constitute a warranty, recommendation, or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

Initial

7. Franchisee (or Developer) acknowledges that it has received the CANDY CLOUD FRANCHISING LCC Franchise Disclosure Document with a complete copy of the Franchise Agreement (and Multi-Unit Development Agreement) and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement (or Multi-Unit Development Agreement) was executed. Franchisee (or Developer) further acknowledges that Franchisee (or Developer) has read such Franchise Disclosure Document and understands its contents.

Initial

8. Franchisee (or Developer) acknowledges that it has had ample opportunity to consult with its own attorneys, accountants, and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee (or Developer) with respect to the Franchise Agreement (or Multi-Unit Development Agreement) or the relationship thereby created.

Initial

9. Franchisee (or Developer), together with Franchisee's (or Developer's) advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment

decision with respect to the Franchise granted by the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

- 10. Franchisee (or Developer) is aware of the fact that other present or future franchisees (or developers) of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

Initial

- 11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's (or Developer's) Territory by others who may have purchased such products from Franchisor.

Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), FRANCHISEE (OR DEVELOPER) AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S (OR DEVELOPER'S) AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND CANDY CLOUD FRANCHISING LCC, CANDY CLOUD IP LLC, AND ANY OF THE ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE (OR DEVELOPER).

Initial

FRANCHISEE:

PRINCIPAL:

By: _____

Name: _____

Name: _____

PRINCIPAL:

Title: _____

Name: _____

STATE EFFECTIVE DATES

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

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

<u>STATE</u>	<u>EFFECTIVE DATE</u>
California	None
Hawaii	None
Illinois	November 15, 2022, amended March 28, 2023
Indiana	December 27, 2022
Maryland	None
Michigan	October 18, 2022
Minnesota	April 6, 2023
New York	None
North Dakota	None
Rhode Island	None
South Dakota	None
Virginia	Pending
Washington	None
Wisconsin	Pending

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

EXHIBIT I

RECEIPT

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

If Candy Cloud Franchising LLC offers you a franchise, it must provide this Disclosure Document to you 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.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Candy Cloud Franchising LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Alex Edwards 9934 N Alpine Road Machesney Park IL 61115 815-264-2168		
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Issuance Date: October 6, 2022, amended March 13, 2023.

I received a Disclosure Document dated October 6, 2022, amended March 13, 2023, that included the following Exhibits:

- EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT B: Franchise Agreement with Attachments 1 - 9
- EXHIBIT C: Multi-Unit Development Agreement with Attachments 1-3
- EXHIBIT D: Financial Statements of Candy Cloud Franchising LLC
- EXHIBIT E: Operations Manual Table of Contents
- EXHIBIT F: Outlets as of August 31, 2022
- EXHIBIT G: State Addenda
- EXHIBIT H: Franchisee Acknowledgment
- EXHIBIT I: Receipt

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

Please return signed receipt to Candy Cloud Franchising LLC, 9934 N Alpine Road
Machesney Park IL 61115

EXHIBIT I

RECEIPT

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

If Candy Cloud Franchising LLC offers you a franchise, it must provide this Disclosure Document to you 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.

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If Candy Cloud Franchising LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

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Alex Edwards 9934 N Alpine Road Machesney Park IL 61115 815-264-2168		
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- EXHIBIT I: Receipt

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

KEEP FOR YOUR RECORDS