



FRANCHISE DISCLOSURE DOCUMENT

Five Flavors Franchising LLC
An Illinois Limited Liability Company
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Berwyn, IL 60402
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www.rainbowconefranchise.com

Five Flavors Franchising LLC, an Illinois limited liability company, offers you the opportunity to own and operate a franchise that will offer and sell high quality ice cream and related menu items under certain trademarks, trade names, service marks and logos (a “The Original Rainbow Cone Business” or “The Original Rainbow Cone Businesses”) in one of 3 types of settings – a Free standing restaurant location (“Free Standing”), an inline restaurant location (“In-Line”), or a non-traditional location either within another business or as a separate kiosk (“Kiosk”).

The total investment necessary to begin operation of a The Original Rainbow Cone Free Standing franchise ranges from \$2,101,500 to \$3,299,550. This includes \$90,000 to \$110,000 that must be paid to us or our affiliates. The total investment necessary to begin operation of a The Original Rainbow Cone In-Line franchise ranges from \$386,125 to \$782,325. This includes \$64,000 to \$84,000 that must be paid to us or our affiliates. The total investment necessary to begin operation of a The Original Rainbow Cone Kiosk franchise from \$209,560 to \$346,400. This includes \$30,000 to \$40,000 that must be paid to us or our affiliates.

The total investment necessary to later add the Food Truck option is \$82,000 to \$132,500. This includes the \$10,000 that must be paid to us or our affiliates.

The total investment necessary to begin operation as a Developer is the sum of (i) the total investment to begin operations of the first The Original Rainbow Cone Business (described above) and (ii) the Development Fee of a minimum of \$32,000, calculated at \$16,000 times the number of additional franchises to be developed after the first franchise. This includes \$72,000 that must be paid to us or our affiliates.

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

You may wish to receive your Franchise Disclosure Document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Joe Buonavolanto III, at 6801 Roosevelt Road, Berwyn, IL 60402, (708) 749-2333, Ext. 264.

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

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 22, 2024 as amended July 22, 2024

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 on Item 20 or Exhibit H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor at the franchisor’s discretion. 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 E 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 The Original Rainbow Cone 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 The Original Rainbow Cone franchisee?	Item 20 or Exhibit H 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*

Continued 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.

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 franchised 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 on Exhibit A.

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 arbitration and/or litigation only in Illinois. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may cost more to arbitrate or litigate with the franchisor in Illinois than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the Franchise Agreement, even if 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.
3. **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 with a longer operating history.
4. **Exclusive Territory.** Depending on the franchise offering you purchase, you will not receive an exclusive territory.

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

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 assent 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 prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity which in no event need be more than thirty (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 furnishing 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 five (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 six (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 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) Failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding the notice of this Offering should be directed to:

Michigan Attorney General's Office
Consumer Protection Division
Attn. Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48933
(517) 335-7567

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “we,” “us,” or “our” means Five Flavors Franchising LLC, an Illinois limited liability company, the franchisor. “You” and “your” means the person who buys the franchise from us, the franchisee. You will establish a corporation, partnership, limited liability company or other entity to be the franchisee under the Franchise Agreement. Certain provisions of the Franchise Agreement and related agreements will also apply to your owners.

Franchisor, Predecessors, Parents and Affiliates

We are a limited liability company organized in Illinois on July 23, 2018. Our principal place of business is 6801 Roosevelt Road, Berwyn, IL 60402. We do business under the name “The Original Rainbow Cone” and “Five Flavors Franchising LLC,” and no other name.

On August 1, 2018, our affiliate, Rainbow Cone, LLC, an Illinois limited liability company, with a principal business address of 6801 Roosevelt Road, Berwyn, IL 60402, acquired the System and the Marks for operating The Original Rainbow Cone Businesses from Original Rainbow Cone, Inc., 9233 S. Western Avenue, Chicago, IL 60620. It also acquired from Original Rainbow Cone, Inc. the assets of an existing The Original Rainbow Cone restaurant located at 9233 S. Western Avenue, Chicago, IL 60620. Our affiliates have continued to operate the restaurant at the same location and has opened additional locations. An affiliate also now operates ice cream trucks in the Chicago metropolitan area.

We have no predecessor or parent, and no affiliates that provide products or services to franchisees.

We have one affiliate that offers franchises in a different line of business. Chicago’s Original Italian Beef Franchising LLC, an Illinois limited liability company, has a principal place of business of 6801 West Roosevelt Road, Berwyn, IL 60402 and offers franchises for Buona Beef restaurant businesses with a menu featuring Italian beef sandwiches as well as a variety of other sandwiches, pasta, burgers, hot dogs, salads and desserts at the restaurant premises or by delivery service. Chicago’s Original Italian Beef Franchising LLC has offered franchises since May 2021. As of December 31, 2023, it had 0 franchises in operation.

Agents for Service of Process

Our agents for service of process in other states are identified by state in Exhibit A to this Franchise Disclosure Document. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

The Business We Offer

We and our affiliates have developed certain specified and distinct business formats, methods, and procedures, including distinctive exterior and interior design, décor, color scheme and furnishings, uniform standards, specifications and procedures for operations, quality and uniformity of products and services offered, procedures for management and inventory control, training and assistance. and advertising, marketing and promotional programs which may up the system for operating The Original Rainbow Cone Businesses (“System”). We offer the opportunity to prospective franchisees to own and operate The Original Rainbow Cone Businesses with a menu featuring a variety of high quality ice cream cones, ice cream cakes, sundaes and shakes, packaged ice cream, mini-donuts and related products under the mark

“The Original Rainbow Cone” and certain other trademarks, trade names, service marks and logos that we develop to serve The Original Rainbow Cone Businesses (collectively the “Marks”).

We offer to qualified candidates the grant of a franchise to operate a The Original Rainbow Cone Business under one of 3 formats: (1) the traditional, free standing restaurant location (“Free Standing”), (2) the restaurant in an inline location (“In-Line”), and (3) the non-traditional unit located within another restaurant or retail business or in a captive location or as a stand-alone kiosk which is substantially smaller than the Free Standing or In-Line The Original Rainbow Cone Business (“Kiosk”). The Free Standing, In-Line and Kiosk or any of them are referred to in this Franchise Disclosure Document as the “The Original Rainbow Cone Business” or “Franchised Business”. You must sign our franchise agreement (the “Franchise Agreement”), a copy of which is attached as Exhibit B to this Franchise Disclosure Document. If you will operate a Kiosk franchise, you will also sign an Addendum to the Franchise Agreement for that particular franchise offering, a copy of which is attached at either Exhibit C to this Franchise Disclosure Document.

The Free Standing franchise is for the operation of traditional restaurant in a free-standing building with indoor seating and which may have single or double drive through windows with a full menu of ice cream and related products.

The In-Line franchise is for the operation of a restaurant in an in-line shopping mall. The In-line franchise may have a drive through window if located at the end of the mall. The In-Line has smaller square footage with less seating and offers a full menu of ice cream and related products.

The Kiosk franchise is for the operation of either (i) a smaller facility located within the premises of another restaurant concept or retail business, or (ii) a stand-alone kiosk which is substantially smaller than the Free Standing or In-Line The Original Rainbow Cone Business. The Kiosk will produce and sell a limited menu of ice cream and related products. The stand-alone kiosk will be located in captive locations such as an airport, train station, sports stadium, military base, amusement park or zoo, shopping malls, university or military base.

In some instances, we along with our Chicago’s Original Italian Beef Franchising LLC will offer you the right to develop and operate a combined Buona and The Original Rainbow Cone restaurant (“Dual Brand Business”). The decision to offer you a Dual Brand Business is within the sole discretion of us and our Chicago’s Original Italian Beef Franchising LLC. If you are offered this opportunity, you will receive a separate Franchise Disclosure Document from our affiliate Chicago’s Original Italian Beef Franchising LLC and you will sign the Dual Brand Franchise Agreement that is attached to the Chicago’s Original Italian Beef Franchising LLC’s Franchise Disclosure Document.

We offer to qualified existing franchisees owning a Free Standing franchise or an In-Line franchise who are in compliance with their franchise agreement the right to operate a The Original Rainbow Cone Food Truck (“Food Truck”) in conjunction with the franchised restaurant in the Protected Area granted to franchisee. The existing franchisee must sign a Food Truck Amendment to Franchise Agreement (“Food Truck Amendment”) to be granted the right to operate and provide products and services from a Food Truck. This offer is not available to a franchisee of a Kiosk franchise.

We are not presently engaged in business activities other than the development of the System and the offer, sale and support of the franchisees of the System.

All The Original Rainbow Cone Businesses are operated under the Marks and the System and related methods of doing business, and proprietary methods of marketing and operating The Original Rainbow Cone Businesses and selling products of the System. You must operate each The Original Rainbow Cone Business in accordance with the System and our Confidential Franchise Operations Manual (the “Manual”),

which may exist in various parts, locations, and formats and may include a combination of audio, video, written material, electronic media, website content and/or software components.

We also allow certain franchisees who meet our criteria to become a Developer. A Developer agrees to establish and operate themselves a minimum of 3 Free Standing or In-Line Franchises in a specified Development Area over an agreed upon period of time. The Area Development Agreement is attached to this Franchise Disclosure Document as Exhibit C. The Developer will sign a Franchise Agreement for the first The Original Rainbow Cone Business at the time the Area Development Agreement is signed. For each future franchise to be developed, the Developer will sign the then current form of Franchise Agreement that may have different terms than the Franchise Agreement contained in this Franchise Disclosure Document.

Market Competition

The market for ice cream products such as those offered by The Original Rainbow Cone Businesses is highly competitive and well-developed, as is the market for obtaining locations for The Original Rainbow Cone Businesses. The ice cream industry is highly competitive and is often affected by changes in season, eating habits of the public, local and national conditions affecting spending habits, and population and traffic patterns. The Original Rainbow Cone Businesses will compete with other local businesses, as well as many local, regional and national ice cream chains, grocery stores, street vendors and other food service businesses offering similar products. You will face competition from other independent businesses, franchises and national companies offering similar products and services as your franchised The Original Rainbow Cone Business. You will also face normal business risks that could have an adverse effect on your The Original Rainbow Cone Business.

Your competition may also include certain Buona Beef restaurants which currently have a license to sell The Original Rainbow Cone Cake Rolls under the Marks. A Buona Beef restaurant licensed to sell The Original Rainbow Cone Cake Rolls under the Marks may be in close proximity to your The Original Rainbow Cone Business.

Regulations

In addition to laws and regulations that apply to businesses generally, your The Original Rainbow Cone Business is subject to federal, state and local laws, regulations and guidelines governing the food service industry. You must be knowledgeable on federal, state and local health and consumer protection laws and regulations concerning food preparation, handling and storage, and laws concerning menu item names and menu labeling and nutritional information. In addition, your state or local governments may require food licensing or food handling certification. Local governments may require licensing for operation of mobile food trucks in their area. In addition, you must operate in compliance with Payment Card Industry Data Security Standards and applicable data privacy laws. You must investigate all applicable laws and regulations and are solely responsible for complying with all applicable laws and regulations.

If you sign a Food Truck Amendment to operate a Food Truck, there may be local permit or licensing requirements for food trucks specifically. Also, certain municipalities and local governments may have regulations or ordinances which restrict the areas in which food trucks operate, the amount of time food trucks are allowed to park in one location, and the proximity from which you can park from brick-and-mortar restaurants.

Prior Business Experience

We began offering The Original Rainbow Cone restaurant franchises in 2019. We began offering Area Development franchises in 2023. We have never operated a business similar to the type of business you will operate. We have not offered franchises in any other lines of business.

Our affiliate Rainbow Cone LLC has owned and operated businesses similar to the type of business you will operate since 2018. As of the date of this Disclosure Document, our affiliate owns and operates 14 The Original Rainbow Cone businesses and 3 mobile food trucks. Our affiliate has never offered franchises in any line of business.

Our affiliate Chicago's Original Italian Beef Franchising LLC has never operated businesses similar to the type of business you will operate. It has sold franchises for Buona Beef restaurants since 2021, but has not offered franchises for the type of business you will operate or in any other line of business.

ITEM 2 **BUSINESS EXPERIENCE**

Mike Buonavolanto, Manager and Vice President of Real Estate

Mike Buonavolanto has served as one of our Managers and as Vice President of Real Estate in Berwyn, Illinois since August 1, 2018. He also has also served as Manager and Vice President of Real Estate of Five Flavors LLC from May 2018 to the present and Manager of Rainbow Cone LLC from June 2018 to the present. From October 2014 to the present, he has served as Director of Real Estate for The Buona Companies, L.L.C, in Berwyn, Illinois.

Joseph Buonavolanto Jr, Manager

Joseph Buonavolanto Jr. has served as one of our Managers in Berwyn, Illinois since August 1, 2018. Mr. Buonavolanto has served as Co-Manager of Chicago's Original Italian Beef Franchising LLC since its inception in March 2021. He has been Co-Manager of The Buona Companies, L.L.C. and Buona Catering, L.L.C. since February 1999. He has been Co-Manager of Buona Beef, LLC since December 2011 and was Vice President of its predecessor, Buona Beef Inc. from December 1985 to December 2011. He has been Co-Manager of J&P Properties, L.L.C. since May 1996. He has been Co-Manager of Hot Pep LLC since May 2021. Mr. Buonavolanto has served as Co-Manager of Chicago's Original Italian Beef Franchising LLC since its inception in March 2021.

Joseph Buonavolanto III, Executive Vice President

Joseph Buonavolanto III has served as our Executive Vice President since January 2024 and served as our Vice President of Franchising from January 2022 to January 2024 in Berwyn, Illinois. He has also served as Vice President of Franchising for our affiliate Chicago's Original Italian Beef LLC from January 2022 to January 2024 and as Executive Vice President since January 2024. From June 2019 to December 2021, he was Director of People for Buona Companies LLC. From May 2016 to May 2019, he was Director of Operations for Buona Beef LLC.

John Carlo Buonavolanto, Director of Sales and Marketing

John Carlo Buonavolanto has served as our Director of Sales and Marketing in Berwyn, Illinois since January 2022. He served as Catering Sales Manager for Rainbow Cone LLC from March 2021 to January 2022. From January 2015 to March 2021, he served as Sales & Marketing Manager for Buona Catering LLC since January 2015.

The following individuals are employed by The Buona Companies, L.L.C. but perform services for us in their roles with The Buona Companies, L.L.C.:

Steven Felson, Senior Vice President, Operations and Training

Mr. Felson has served as Senior Vice President, Operations and Training for The Buona Companies, L.L.C. in Berwyn, Illinois since January 2024. From May 2022 to January 2024, he was Vice President, Training for Home Franchise Concepts in Coppell, Texas. From December 2019 to May 2022, he was Vice President, Operations & Training for Bonchon in Dallas, Texas. From March 2016 to October 2019, he worked for BurgerFi in North Palm Beach, Florida as Executive Vice President of Operations and as Vice President of Operations.

John Westland, Director of Franchise Operations

Mr. Westland has served as Director of Franchise Operations for The Buona Companies, L.L.C. in Berwyn, Illinois since March 2024. From August 2020 to February 2024, he was Director of Operations Services for Bonchon in Dallas, Texas. From May 2009 to June 2020 he was International Franchise Business Manager for Front Burner Brands (Melting Pot Restaurants) in Tampa, Florida.

Joseph Buonavolanto, Director of Purchasing and Supply Chain

Mr. Buonavolanto has served as Director of Purchasing and Supply Chain for The Buona Companies, L.L.C. and its affiliates in Berwyn, Illinois since June 2018. He served as Purchasing Manager for Buona Beef LLC and Buona Catering LLC from January 2007 to June 2018.

Tony Scheri, Director of Culinary

Mr. Scheri is a culinary veteran who joined The Buona Companies L.L.C. in May 2000 as the Corporate Chef. Since June of 2018 he has served as Director of Culinary for The Buona Companies L.L.C and its affiliates in Berwyn, Illinois.

Scott Evans, Director of Human Resources

Mr. Evans started with The Buona Companies L.L.C in November of 2010 as a staff accountant in the payroll and compensation department. He has served as Director of Human Resources for The Buona Companies L.L.C in Berwyn, Illinois since January of 2020.

Mark Kearins, Director of Information Technology

Mr. Kearins started with Buona Companies L.L.C in October of 2002 as a staff accountant. He served as an Information Technology support technician from October 2004 to January 2010. Since January of 2010 he has served as Director of Information Technology for the Buona Companies L.L.C. in Berwyn, Illinois.

Andrew Regalado, Director of Marketing

Mr. Regalado joined The Buona Companies L.L.C. in Berwyn, Illinois as the Director of Marketing in July of 2022. From 2015 to 2022, he was Marketing Director for Activate Hype in Chicago, Illinois.

Christina Noel, Director of Learning & Development

Christina Noel has been the Director of Learning & Development of The Buona Companies L.L.C. in Berwyn, Illinois since January 2024 and was the Manager of Learning & Development from January 2022 to January 2024 and the Learning & Development Specialist from January 2021 to January 2022. From 2017 to 2022, she was employed by Lettuce Entertain You in Chicago, Illinois as a Trainer for front of house positions, private events and catering.

Brie Craft, Franchise Onboarding and Training Manager

Ms. Craft started with Buona Beef LLC in April of 2016 as an hourly team member. From November 2016 to September 2017 she worked as a Corporate Trainer and from September 2017 to October 2022, she served as the Training department specialist. Since October 2022 she has served as the Franchise Onboarding and Training Manager for The Buona Companies L.L.C. in Berwyn, Illinois.

Nick Arajuo, Chief Financial Officer

Nick Arajuo started with Buona Beef LLC in March of 1999. From 1999 to 2001 he worked as a staff accountant for The Buona Companies L.L.C. From 2001-2019 he served as Director of Finance for The Buona Companies L.L.C. Since January 2019, he has served as the Chief Financial Officer of The Buona Companies L.L.C. in Berwyn, Illinois.

John Kearins, Director of Finance

John Kearins started with The Buona Companies L.L.C. in Berwyn, Illinois in January of 2009 as a staff accountant. He was named Director of Finance in January 2019.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy action is required to be disclosed in this Item.

ITEM 5
INITIAL FRANCHISE FEE

Initial Franchise Fee

The Initial Franchise Fee for the grant of the franchise is \$40,000 for a Free Standing franchise and for an In-Line franchise, and \$20,000 for a Kiosk. The Initial Franchise Fee is due in full upon your execution of the Franchise Agreement.

The Initial Franchise Fee is non-refundable with one exception. If we terminate your Franchise Agreement for your failure to successfully complete the initial training program, we will refund you 10% of the initial

franchise fee paid once you have signed and delivered to us a termination agreement and general release of all claims in a form satisfactory to us.

On-Site Training Fee Deposit

You must pay us an on-site training fee for the on-site assistance that we will provide you at your restaurant location before and around the time of the opening of The Original Rainbow Cone business. When you sign the Franchise Agreement, you must pay a non-refundable on-site training fee deposit in the amount of \$10,000. The balance of the on-site training fee will be paid after you open for business upon the completion of the on-site training.

Initial Purchases of Products and Services

Before you open your The Original Rainbow Cone Business, you must purchase from our affiliate Keystone Planning + Design, PLLC design and architectural services relating to the build-out of the restaurant premises. The estimated cost is \$40,000 to \$50,000 for a newly constructed free standing restaurant and \$14,000 to \$24,000 for an inline restaurant in a leased premises. You must pay them a \$5,000 non-refundable deposit on the date that we approve the site for The Original Rainbow Cone Business.

Before you open your The Original Rainbow Cone Business, you may purchase an initial supply of marketing materials from our affiliate The Buona Companies, L.L.C. or another supplier. If you purchase the initial marketing materials from us, the estimated cost is \$100 to \$10,000. Payments for purchases of these materials is non-refundable.

Food Truck Add-On

If you are an existing franchisee and request and are granted the right to operate a Food Truck, you must pay us a non-refundable fee of \$10,000 when you sign the Food Truck Amendment.

Area Development Fee

If you are a Developer, you must sign the Franchise Agreement for your first The Original Rainbow Cone franchise and pay the initial franchise fee for the first franchise to be developed at the same time as you sign the Area Development Agreement. In addition, you must pay a non-refundable Development Fee when you sign the Area Development Agreement. The Development Fee is one-half of the initial franchise fees that will be due for the additional The Original Rainbow Cone Businesses to be developed. The franchise fee for the additional franchises after the first franchise will be discounted by 20%, so the initial franchise fee paid for the Free Standing or In-line Franchise developed under an Area Development Agreement would be \$32,000. The minimum Development Fee is \$32,000 (based on developing a minimum of 3 franchises).

The Development Fee is non-refundable. If you fail to sign Franchise Agreements for any of the additional franchises, we will retain the Development Fee paid.

When you sign the Franchise Agreement for the additional franchises, for each franchise, \$16,000 of the Development Fee paid will be applied against the initial franchise fee for the franchise, and you will pay the balance due of \$16,000. If you agree to develop 3 franchises, you will pay an additional \$32,000 in total initial franchise fees for the second and third franchises after application of the Development Fee previously paid.

For each franchise to be developed under the Area Development Agreement, you will pay the initial franchise fees of \$32,000 unless you fail to meet the Development Schedule in the Area Development Agreement. If you fail to meet the Development Schedule, you will pay the then-current initial franchise fees for restaurant

franchises which is currently \$40,000. If you agree to develop 3 franchises, and you have failed to meet the Development Schedule before you sign a franchise agreement for the second franchise, you will pay an additional \$48,000 in initial franchise fees (\$40,000 times 2, less the \$32,000 applied from the Development Fee previously paid) for the second and third franchises.

The Development Fee is uniform for all Developers. The Development Fee is not refundable under any circumstances, but it is credited against additional the franchise fees as described above.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty	6% of Gross Sales ⁽¹⁾	Payable each week for Gross Sales during the preceding week.	We will charge this fee via an authorized ACH payment.
Brand Marketing Fund contribution	Up to 3% of Gross Sales; currently 2% of Gross Sales ⁽¹⁾	Payable each week for Gross Sales during the preceding week.	We will charge this fee via an authorized ACH payment along with royalties. We will give you 60 days' advance notice before any increase or decrease in the required contribution amount.
Local Advertising	Minimum of 2% of Gross Sales ⁽¹⁾	As incurred by you	Paid to third parties. Upon request, you must submit quarterly reports to us documenting your expenditures for the previous calendar quarter.
Cooperative Advertising	As determined by a majority of the members of the cooperative.	As incurred by you.	Payable if a cooperative is established in your area. Amounts paid to the cooperative will be a credit against the local advertising requirement. All Franchised Businesses included in the cooperative will have one vote per The Original Rainbow Cone business.

Type of Fee	Amount	Due Date	Remarks
Transfer Fee	75% of the then-current Initial Franchise Fee if the transfer is to a new franchisee; 50% of the then-current Initial Franchise Fee if the transfer is to an existing franchisee; \$1,500 if the transfer is among existing owners and does not change controlling interest.	\$5,000 non-refundable deposit at the time that franchisee requests approval of transfer. Balance upon the transfer of your Franchise to transferee.	In addition, we will charge your buyer the then-current daily rate for any trainers sent to the site of your Franchised Business to provide any necessary on-site training.
Technology Fee	As determined by us based on technology costs for the franchise system. Currently \$75 per week	Payable each week.	We will charge this fee via an authorized ACH payment along with royalties. We will give you 60 days prior notice before changing the amount of the fee.
Renewal Fee	\$7,500	30 days prior to the signing of the renewal franchise agreement	
Interest on Late Payments	Highest rate of interest permitted by law not to exceed 1.5% per month	As incurred	This interest rate applies to any money you owe us or our affiliate that is more than 7 days overdue and will accrue until the amounts are paid in full. Interest is in addition to service and NSF charges.
Service Charges and Non-Sufficient Funds Fee	Currently \$250	Upon demand	Payable if an ACH transaction is not honored.
Customer Satisfaction Reimbursement	Varies under the circumstances	As incurred	We may, in our sole discretion, remedy any issues with customers of your The Original Rainbow Cone Business, which may include refunding to the customer any amounts the customer paid to you. You are required to reimburse us for any such refunds we issue.

Type of Fee	Amount	Due Date	Remarks
Initial Training	<p>No charge for the first attendee to the ownership training (the operating owner having at least a 10% interest); No charge for the first 3 managerial owners/employees to the initial manager training.</p> <p>Additional parties pay our then current tuition fee which is currently \$1,500 per week.</p>	As incurred	<p>The cost of Initial Training (instruction and required materials) is borne by us. All other expenses, including travel, meals and lodging and your employee wages, are your responsibility. Additional owners and managers may attend the initial training program as space in available and for the current tuition fee.</p>
On-Site Training Fee	<p>The then-current daily rate for each trainer on-site to provide the training, plus all travel and living expenses incurred by our representative(s). Currently daily rate per training is \$250</p>	<p>\$10,000 deposit is due upon the execution of the Franchise Fee. The balance is due upon completion of on-site training.</p>	<p>One or more representatives will spend approximately 30 days for a Free Standing or In-Line Franchise and approximately 10 to 15 days for a Kiosk Franchise at the premises of the Franchised Business prior to and immediately following the date of the opening of the Franchised Business to provide on-site training as we deem necessary for the opening and initial period of operation of the Franchised Business. The number of trainers may vary during the on-site training and the length of the training may vary.</p>

Type of Fee	Amount	Due Date	Remarks
Supplemental Training	Tuition fee; amount not yet determined since we have not yet conducted such training.	As incurred.	We may from time to time provide, and may require, that you, your owners and/or managers attend and successfully complete supplemental training, seminars, regional franchise meetings or webinars to be conducted at times and locations designated by us. We may require attendance at such training, seminars and meetings for up to 5 days each calendar year. We may charge a tuition fee for any such training, seminars, meetings or webinars and you will be responsible for all expenses incurred by you and your owners and/or managers in attending these programs.
Additional Training Assistance	Then-current training fees for such Additional Training (currently \$300 per day per trainer), plus any travel and living expenses incurred by our representative if travel to your location is necessary.	As incurred	Paid to us if you request additional training above our normal training offerings and we provide such training in our discretion, or if we require additional training in the event your Franchise Business is operating below required standards.
Conference Registration Fee	Not yet determined since we have not held a conference.	As incurred.	If we hold conferences, your owner(s) may be required to attend any conference for which we determine attendance is mandatory. We may charge you a fee to attend the conference. Any costs or expenses associated with your owner (s)'s attendance of such conferences will be borne solely by you.

Type of Fee	Amount	Due Date	Remarks
Indemnification	Will vary under the circumstances	As incurred	You must pay for us for any losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether the same is reduced to judgment) or any settlement thereof, which arises out of, or is based upon any of the items listed in the section of the Franchise Agreement labeled "Indemnification."
Supplier Approval Charge	Will vary under the circumstances; not to exceed our reasonable cost of inspection and the actual cost of testing.	30 days after billing	Payable if you request approval of a supplier. To be paid by you or the supplier.
Costs and Attorney's Fees	Will vary under the circumstances	As incurred	You must pay all costs reasonably incurred in enforcing the Franchise Agreement.
Audit Fee	Sum equal to the highest rate of interest permitted by law or 1.5%, whichever is lesser, of the understated amount. If any understatement of Gross Sales exceeds 2%, then cost of audit.	The Royalty Fee and Brand Marketing Fund Contribution with respect to the amount understated, in addition to the Late Payment Charge is due immediately. Cost of the audit is due immediately upon your receipt of written notice from us if the audit shows an understatement of Gross Sales of 2% or more.	If we conduct an audit of your books and records and determine that Gross Sales has been underreported by you or if the audit was made necessary by your failure to submit required reports or financial statements.

Type of Fee	Amount	Due Date	Remarks
Cost of re-inspection	You must reimburse us for our actual costs of conducting a second inspection (compensation and travel expenses of our representative or fees charged to us by a third party service for conducting the re-inspection).	Upon demand.	If we conduct a quality assurance audit or a mystery shop is conducted and it is determined that you are not in compliance with our specifications, standards or requirements and we require you to take steps to correct the deficiencies, you must reimburse us for the cost of conducting a subsequent quality assurance audit to determine if the deficiencies have been corrected.
Taxes	Will vary under circumstances	Upon demand	If any taxes are assessed against us arising from payments you make to us or otherwise from the operation of your business, you shall reimburse us the actual amount of the taxes upon demand and upon receipt of proof of tax assessment
Insurance Requirements	Cost of insurance plus interest at the maximum rate permitted by law, plus a reasonable administrative fee	Upon written notice	If you fail to comply with any of the insurance requirements contained in Article XII of the Franchise Agreement, upon written notice to you by us, we may, without any obligation to do so, procure such insurance and you must pay us, upon demand, the cost of the insurance plus interest at the maximum rate permitted by law, plus a reasonable administrative fee designated by us.
Right to Operate Upon Default	The then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by our representative so long as it shall be required to enforce compliance with this Agreement. Current management services fee is \$450 per day or 10% of Gross Sales.	As incurred.	In the event that you have not cured a default under the Franchise Agreement within 14 days after receipt of a written notice of default, our agent or other representative designated by us may take over, control and operate the Franchised Business.

Type of Fee	Amount	Due Date	Remarks
Management assistance upon death or incapacity	The then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by our representative so long as it shall be required to enforce compliance with this Agreement. Current management services fee is \$450 per day or 10% of Gross Sales.	As incurred.	If we provide management services upon the request of the executor, administrator or personal representative in the event of the death or incapacity of your owner until the franchise can be transferred.
Relocation	50% of the then-current initial franchise fee	50% when we grant you the approval to relocate and 50% upon our acceptance of your new site.	Payable if you request and we approve your request to relocate the Franchise Business.
Liquidated Damages	The number of months remaining in the term times the average Gross Sales for the past 36 months (or lesser period if you have not operated for 36 months), times 6% (the royalty rate) times the present value factor based on an interest rate of 4% per year.	Upon demand	We may impose liquidated damages if you terminate the Franchise Agreement, we terminate you for material breach of the Franchise Agreement, you abandon the Franchised Business or you make an unauthorized transfer of interests in Franchisee or the assets of the Franchised Business.
Non-Compliance	\$100 per day or \$1,000 per day, depending on the nature of the default, from the first date of the default until default is cured.	Upon demand	Payable if you are not in compliance with obligations to submit reports, financial statements or returns; to pay royalties, marketing fund contributions or technology fees; to properly use Trade Secret Products; to comply with mandatory requirements of the Manual; to keep Franchised Business open during the required hours; to provide information or refuse entry for an audit or inspection; or for unauthorized use of the Marks.

Type of Fee	Amount	Due Date	Remarks
National Account Services Fee	Reasonable administrative fee for our services.	Upon demand.	Payable if we provide administrative, billing and/or collection services for any National Account, if we establish a National Accounts program.

Notes:

All fees described in this Item that are paid to us or our affiliates are imposed uniformly and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. Unless otherwise designated by us, we currently require you to pay fees and other amounts due to us or our affiliates through electronic funds transfer via Automated Clearing House (“ACH”) or similar means. You are required to complete the ACH authorization (in the form attached to the Franchise Agreement). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement.

1. **Gross Sales.** “Gross Sales” means all sales generated by the Franchised Business, including fees for any and all services Franchisee performs, whether for cash or credit (regardless of collectability) and revenues of every kind related to the Franchised Business, including but not limited to revenues from the sale of food, beverages, merchandise, proprietary products or clothing, delivery and catering not included in the price of menu items, and other services made and rendered in, on, or from the premises of the Franchised Business, or through any other means, including sales outside of the premises, that are in any way related to the Franchised Business, whether for cash, exchange or credit (and regardless of collection in the case of credit), except that Gross Sales will not include sales, use or services taxes collected from customers and actually paid to the appropriate taxing authority.

Area Development Agreement.

Type of Fee	Amount	Due Date	Remarks
Indemnification	Will vary under circumstances	As incurred	You have to reimburse us if we are held liable for claims arising from your operation of the development business or incur costs in defending them.
Costs and Attorney’s Fees	Will vary under circumstances.	As incurred	You must reimburse us for costs and attorneys’ fees for enforcement of covenants, for obtaining specific performance of injunctive relief, and if we are successful in an action to enforce the Area Development Agreement.

All fees under the Area Development Agreement are imposed uniformly and are non-refundable.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

FREE STANDING FRANCHISE

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Paid
Initial Franchise Fee ⁽¹⁾	\$40,000	Lump Sum	Upon signing of the Franchise Agreement	Us
Land Acquisition ⁽²⁾	\$300,000 to \$800,000	As arranged	When purchased	Owner of land
Site Work ⁽³⁾	\$200,000 to \$450,000	As Incurred	As Incurred	Third Party contractors
Construction of Building ⁽⁴⁾	\$1,160,550 to \$1,418,450	As Incurred	As Incurred	Third Party contractors; our Affiliate
Travel and Living Costs While Training ⁽⁵⁾	\$19,100 to \$26,200	As incurred	Before and during training	Airlines, hotels, restaurants
Initial Inventory and supplies ⁽⁶⁾	\$10,000 to \$15,000	Lump Sum	Prior to opening	Our Affiliate and Various Approved Suppliers
Furniture, Fixtures and Equipment (excluding Sign Package and POS) ⁽⁷⁾	\$224,200 to \$283,200	As arranged	Prior to opening	Suppliers
Sign Package ⁽⁸⁾	\$64,000 to \$88,000	As arranged	Prior to opening	Supplier
POS System ⁽⁹⁾	\$5,400 to \$6,600	As arranged	Prior to opening	Supplier
Miscellaneous expenses ⁽¹⁰⁾	\$9,000 to \$37,500	As incurred	Prior to opening	Attorneys, accountants, government agencies

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Paid
Grand Opening Advertising and Marketing ⁽¹¹⁾	\$10,000 to \$25,000	Lump Sum	60 days prior to opening and first 90 days of operation	Our Affiliate, Approved Suppliers and Advertising Agencies
On-Site Training Fee ⁽¹²⁾	\$24,250 to \$34,600	2 lump sums	\$10,000 deposit when franchise agreement is executed; balance as incurred	Us
Additional Funds – 3 Months ⁽¹³⁾	\$35,000 to \$75,000	As Incurred	As Incurred	Third Parties
Estimated Total ⁽¹⁴⁾	\$2,101,500 to \$3,299,550			

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your The Original Rainbow Cone Business. We do not offer direct or indirect financing for these items. None of the fees payable to us are refundable. Fees paid to vendors or other suppliers may or may not be refundable depending on their policies or your arrangements with them.

(1) Initial Franchise Fee - Your Initial Franchise Fee is \$40,000 and is payable in full when you sign the Franchise Agreement. The Initial Franchise Fee is non-refundable, except if we terminate your Franchise Agreement for your failure to successfully complete initial training in which case we will refund 10% of the Initial Franchise Fee paid upon delivery to us of an executed release.

(2) Land – This estimate assumes that you will acquire land and build a building for the restaurant. The estimate covers the cost of acquiring land. Your initial investment will be less if you lease the land upon which your Restaurant sits. The estimated low range for leasing land is \$50,000 annually and the estimate high range for leasing is \$125,000 annually. The cost of purchasing unimproved land or leasing land will vary significantly depending on location, availability of utilities and other factors. Depending on the market conditions and other factors in your geographic area, your land costs may vary from the estimates provided in this Item 7. We estimate that the size of your land will range from 20,000 to 40,000 square feet.

(3) Site Work – This estimate is for the cost of developing the site for constructing a new building. You will not incur this expense if you lease the building for your Restaurant. The site costs for a building will vary significantly depending on many factors including the difficulty of site work, utilities, site grading, labor costs, local taxes and development fees and the availability of financing. You may also buy land with an existing building to convert into a The Original Rainbow Cone Restaurant in which case you will likely not incur the expenses associated with site work.

(4) Building - We assume that you will acquire land and build the building for the Restaurant, and this estimate is for the cost of constructing a new building. The Restaurant premises are typically a free standing building. The size of the standard premises for The Original Rainbow Cone Business ranges from 2,200 to 2,800 square feet. We may allow or require variations to this size under certain circumstances. This estimate includes the expense of a new, completely finished building, including carpentry, all interior finishes, mechanical, electrical, and plumbing. This estimate also includes fees for architectural and engineering services such as site planning, state approvals and other permits for building, heating and air conditioning, plumbing, bid review, construction coordination, pay request review, and project closeout. The construction costs for a building will vary significantly depending on many factors including the size of the building, difficulty of site work, labor costs, local taxes and development fees and the availability of financing. If you are not building a new building and purchased land with an existing building, you will incur costs to convert the building to be in compliance with the specifications for a The Original Rainbow Cone Restaurant, but we would expect those costs to be less than the cost of constructing a new building.

(5) Travel and Living Costs While Traveling - We cover the cost of the initial training program, but you will be responsible for the travel, lodging, meals and other living expenses of your owner and managers while attending the initial training program. At the present time, we provide initial training of approximately 15 days for your Operating Owner and 2 managers. We provide training at our principal place of business located in Chicago, Illinois, or such other location we may select from time to time. These amounts do not include any fees or expenses for training any other personnel. There is no charge for the first 4 attendees; however, there is \$1,500 per week per-attendee initial training charge for each additional attendee.

(6) Initial Inventory and Supplies - Initial inventory consists of various food products, beverages, paper products, cleaning supplies, and other supplies utilized in operating the Restaurant, as well as other merchandise or products sold in the Restaurant. The initial inventory expenditure could vary due to factors such as anticipated sales volume, commodity costs, distribution fees and inflation.

(7) Furniture, Fixtures, Equipment and Supplies (Excluding Sign Package and POS) - This estimate includes all necessary equipment, furniture, fixtures, and beverage systems. The estimate includes equipment and supplies for providing delivery and catering services. We have not included in the estimate any amount for the purchase or lease of a vehicle on the assumption that you either have an existing vehicle to use or you may use third party delivery services. If you want to purchase an optional vehicle wrap, the cost is approximately \$1,500.

(8) Sign Package - The estimate includes the cost to acquire and install all interior and exterior signs for your Restaurant, but it does not include sales tax. Your investment in exterior signs necessary to operate the Restaurant is highly variable. Your exact investment depends on several factors, including the number and size of the proposed exterior signs, local labor costs, prices charged by suppliers, inflation, financing costs and similar factors beyond our or your control. All exterior signs and supplies for your Restaurant must meet our standards and specifications, comply with any state or local government regulations, and must be manufactured by a supplier approved by us.

(9) POS System - The estimate includes the cost to acquire and install the required point of sale system meeting our standards and specifications. The estimate does not include sales tax.

(10) Miscellaneous Expenses - This amount estimates for professional services, such as attorneys' fees, and accounting fees, and license fees such as liquor license fees and business licenses, and utility deposits.

(11) Grand Opening Advertising and Marketing - You must conduct an advertising and marketing campaign to promote the grand opening of your The Original Rainbow Cone Business and spend a minimum of \$10,000. We may recommend you spend more if you will be the first The Original Rainbow Cone Business

in the market. These amounts must be spent starting 60 days prior to opening and within the first 90 days after opening.

(12) On Site Training Fee - This is an estimate of the on-site training fees that you must pay to us for the on-site training we provide to you. You pay us a \$10,000 deposit on this fee when you sign the franchise agreement. The fee is based on a daily rate for each training session on-site, plus the travel costs incurred by our representatives who travel to your site for the training. The number of trainers and the length of training may vary based on the training we deem necessary for you and your operations.

(13) Additional Funds (for 3 months of operation) - This is an estimate of additional funds needed for the first 3 months of operations. Additional funds for the first 3 months is estimated to range as shown in the charts above, and includes general operating expenses, such as supplies, food and beverage products, packaging, payroll, payroll expenses, royalties, advertising, utilities, insurance, pest control, security, repairs, maintenance and complimentary sales and other costs. These figures only are estimates and you may incur additional expenses in starting your The Original Rainbow Cone Business. Your actual cost will depend on factors including without limitation your management skill, experience and business acumen, local economic conditions, the local market for your The Original Rainbow Cone Business, wage and labor rates, competition in the marketplace, the local market for your products and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

(14) Totals - We relied on our experience and our owners' experience of over 40 years in the restaurant business to compile these estimates. Except as otherwise noted, none of these payments are refundable. These payments are only estimates and your costs may be higher, depending on your particular circumstances. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a Franchise. We do not offer any financing for your initial investment. The availability and terms of financing with third-party lenders will depend on factors such as the availability of financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

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

YOUR ESTIMATED INITIAL INVESTMENT

IN-LINE FRANCHISE

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Paid
Initial Franchise Fee ⁽¹⁾	\$40,000	Lump Sum	Upon signing of the Franchise Agreement	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Paid
Design and Architect Fees ⁽²⁾	\$14,000 to \$24,000	As arranged	Deposit of \$5,000 when site is approved	Affiliate
Lease, Utility and Security Deposits ⁽³⁾	\$6,000 to \$20,000	Lump sum	Upon signing lease	Landlord, Utilities
Lease Rental Payments – 1 st 3 months ⁽³⁾	\$6,250 to \$22,500	As incurred	As incurred	Landlord
Leasehold Improvements ⁽⁴⁾	\$120,000 to \$288,000	As incurred	As incurred	Third parties, contractors
Travel and Living Costs While Training ⁽⁵⁾	\$10,900 to \$15,000	As incurred	Before and during training	Airlines, hotels, restaurants
Initial Inventory and supplies ⁽⁷⁾	\$7,500 to \$12,000	Lump Sum	Prior to opening	Our Affiliate and Various Approved Suppliers
Furniture, Fixtures and Equipment (excluding Sign Package and POS) ⁽⁸⁾	\$95,000 to \$159,700	As arranged	Prior to opening	Suppliers
Sign Package ⁽⁹⁾	\$15,000 to \$45,000	As arranged	Prior to opening	Supplier
POS System ⁽¹⁰⁾	\$2,600 to \$4,000	As arranged	Prior to opening	Supplier
Miscellaneous expenses ⁽¹⁰⁾	\$9,500 to \$39,500	As incurred	Prior to opening	Attorneys, accountants, government agencies
Grand Opening Advertising and Marketing ⁽¹¹⁾	\$10,000 to \$20,000	Lump Sum	60 days prior to opening and first 90 days of operation	Our Affiliate, Approved Suppliers and Advertising Agencies

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Paid
On-Site Training Fee ⁽¹²⁾	\$14,375 to \$17,625	2 lump sums	\$10,000 deposit when franchise agreement is executed; balance as incurred	Us
Additional Funds – 3 Months ⁽¹³⁾	\$35,000 to \$75,000	As Incurred	As Incurred	Third Parties
Estimated Total ⁽¹⁴⁾	\$386,125 to \$782,325			

See Notes after the table on the Kiosk Franchise.

YOUR ESTIMATED INITIAL INVESTMENT

KIOSK FRANCHISE

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Paid
Initial Franchise Fee ⁽¹⁾	\$20,000	Lump Sum	Upon signing of the Franchise Agreement	Us
Design and Architect Fees ⁽²⁾	\$3,500 to \$7,500	As arranged	Deposit of \$5,000 when site is approved	Affiliate
Lease, Utility and Security Deposits ⁽³⁾	\$1,500 to \$6,500	Lump sum	Upon signing lease	Landlord, Utilities
Lease Rental Payments – 1 st 3 months ⁽³⁾	\$1,560 to \$6,400	As incurred	As incurred	Landlord
Leasehold Improvements ⁽⁴⁾	\$65,000 to \$100,000	As incurred	As incurred	Third parties, contractors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Paid
Travel and Living Costs While Training ⁽⁵⁾	\$7,450 to \$11,600	As incurred	Before and during training	Airlines, hotels, restaurants
Initial Inventory and supplies ⁽⁷⁾	\$6,000 to \$10,000	Lump Sum	Prior to opening	Our Affiliate and Various Approved Suppliers
Furniture, Fixtures and Equipment (excluding Sign Package and POS) ⁽⁸⁾	\$47,000 to \$57,500	As arranged	Prior to opening	Suppliers
Sign Package ⁽⁹⁾	\$13,500 to \$16,500	As arranged	Prior to opening	Supplier
POS System ⁽¹⁰⁾	\$3,750 to \$4,700	As arranged	Prior to opening	Supplier
Miscellaneous expenses ⁽¹⁰⁾	\$7,500 to \$35,000	As incurred	Prior to opening	Attorneys, accountants, government agencies
Grand Opening Advertising and Marketing ⁽¹¹⁾	\$5,000 to \$10,000	Lump Sum	60 days prior to opening and first 90 days of operation	Our Affiliate, Approved Suppliers and Advertising Agencies
On-Site Training Fee ⁽¹²⁾	\$12,800 to \$15,700	2 lump sums	\$10,000 deposit when franchise agreement is executed; balance as incurred	Us
Additional Funds – 3 Months ⁽¹³⁾	\$15,000 to \$45,000	As Incurred	As Incurred	Third Parties
Estimated Total ⁽¹⁴⁾	\$209,560 to \$346,400			

Notes for In-line and Kiosk Franchise:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your The Original Rainbow Cone Business. We do not offer direct or indirect financing for these

items. None of the fees payable to us are refundable. Fees paid to vendors or other suppliers may or may not be refundable depending on their policies or your arrangements with them.

(1) Initial Franchise Fee - Your Initial Franchise Fee is \$40,000 for an In-line Franchise and \$20,000 for a Kiosk Franchise and is payable in full when you sign the Franchise Agreement. The Initial Franchise Fee is non-refundable, except if we terminate your Franchise Agreement for your failure to successfully complete initial training in which case we will refund 10% of the Initial Franchise Fee paid upon delivery to us of an executed release.

(2) Design and Architect Fees - You must engage our designated architect to plan the layout and required improvements for the leased premises.

(3) Lease Deposits and Rent - These figures presume that you will be leasing your premises. Generally, you will need to lease a site of approximately 1,000 to 1,800 square feet for the In-line Franchise and a site of approximately 200 to 600 square feet for the Kiosk Franchise. We may allow or require variations to typical size parameters under certain circumstances. Your landlord will typically require a security deposit equal to one or two months' rent and may, also, require payment in advance of the first and/or last (or more) month's rent. These figures provide the estimated amount of the security deposit for a location meeting our typical size requirements. The expense of leasing will vary depending upon the size of the premises, its location (for example, downtown, mall, suburban or rural), landlord contributions and the requirements of individual landlords. The lease rental payments shown in the charts above includes 3 months' rent (including CAM, taxes and insurance) for your initial period of operation. The estimate assumes that the landlord will not charge rent until The Original Rainbow Cone Business opens.

(4) Leasehold Improvements- The cost of leasehold improvements will vary depending on numerous factors including the size and configuration of the premises and pre-construction and construction costs. The low end of this range presumes that (i) the premises was formerly used as a restaurant and therefore the space is finished and outfitted with many of the fixtures necessary for the operation of a The Original Rainbow Cone Business and/or (ii) your landlord will provide a partial build-out allowance.

(5) Travel and Living Costs While Training - We cover the cost of the initial training program, but you will be responsible for the travel, lodging, meals and other living expenses of your owner and managers while attending the initial training program. At the present time, we provide initial training of approximately 15 days for the Operating Owner and managers for the In-line Franchise and approximately 10 days for the Operating Owner and manager for the Kiosk Franchise. We provide training at our principal place of business located in Chicago, Illinois, or such other location we may select from time to time. These amounts do not include any fees or expenses for training any other personnel. There is no charge for the first 4 attendees; however, there is \$1,500 per week per-attendee initial training charge for each additional attendee.

(6) Initial Inventory and Supplies - Initial inventory consists of various food products, beverages, paper products, cleaning supplies, and other supplies utilized in operating the Restaurant, as well as other merchandise or products sold in the Restaurant. The initial inventory expenditure could vary due to factors such as anticipated sales volume, commodity costs, distribution fees and inflation.

(7) Furniture, Fixtures, Equipment and Supplies (Excluding Sign Package and POS) - This estimate includes all necessary equipment, furniture, fixtures, beverage systems. The estimate includes supplies for providing delivery and catering services. We have not included in the estimate any amount for the purchase or lease of a vehicle on the assumption that you either have an existing vehicle to use or you may use third party delivery services. If you want to purchase an optional vehicle wrap package, the cost is approximately \$1,500.

(8) Sign Package - The estimate includes the cost to acquire and install all interior and exterior signs for your Restaurant, but it does not include sales tax. Your investment in exterior signs necessary to operate the Restaurant is variable. Your exact investment depends on several factors, including the number and size of the proposed exterior signs, local labor costs, prices charged by suppliers, inflation, financing costs and similar factors beyond our or your control. All exterior signs and supplies for your Restaurant must meet our standards and specifications, comply with any state or local government regulations, and must be manufactured by a supplier approved by us.

(9) POS System - The estimate includes the cost to acquire and install the required point of sale system meeting our standards and specifications. The estimate does not include sales tax.

(10) Miscellaneous Expenses - This amount estimates for professional services, such as attorneys' fees, and accounting fees, license fees, and utility deposits.

(11) Grand Opening Advertising and Marketing - You must conduct an advertising and marketing campaign to promote the grand opening of you're the Original Rainbow Cone Business and spend a minimum of \$5,000. We may recommend you spend more if you will be the first The Original Rainbow Cone Business in the market. These amounts must be spent starting 60 days prior to opening and within the first 90 days after opening.

(12) Onsite Training Fee - This is an estimate of the on-site training fees that you must pay to us for the on-site training we provide to you. You pay us a \$10,000 deposit on this fee when you sign the franchise agreement. The fee is based on a daily rate for each training on-site. The number of trainers and the length of training may vary based on the training we deem necessary for you and your operations. We cover the cost of the travel and living expenses of our trainers.

(13) Additional Funds - This is an estimate of additional funds needed for the first 3 months of operations, Additional funds for the first 3 months is estimated to range as shown in the charts above, and includes general operating expenses, such as supplies, food and beverage products, packaging, payroll, payroll expenses, royalties, advertising, utilities, insurance, pest control, security, repairs, maintenance and complimentary sales and other costs. These figures are estimates and we cannot assure you that you will not have additional expenses in starting your The Original Rainbow Cone Business. Your actual cost will depend on factors including without limitation your management skill, experience and business acumen, local economic conditions, the local market for your The Original Rainbow Cone Business, wage and labor rates, competition in the marketplace, the local market for your products and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

(14) Total - We relied on our experience and our owners' experience of over 40 years in the restaurant business to compile these estimates. Except as otherwise noted, none of these payments are refundable. These payments are only estimates and your costs may be higher, depending on your particular circumstances. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a Franchise. We do not offer any financing for your initial investment. The availability and terms of financing with third-party lenders will depend on factors such as the availability of financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

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

**YOUR ESTIMATED INITIAL INVESTMENT
FOOD TRUCK**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Paid
Food Truck Fee ⁽¹⁾	\$10,000	Lump Sum	Upon signing Amendment to Franchise Agreement	Us
Truck Purchase, Including delivery fees ⁽²⁾	\$40,000 to \$65,000	As arranged	Before opening	Approved Suppliers
Outfitting of Truck ⁽²⁾	\$25,000 to \$40,000	As arranged	Before opening	Approved Suppliers
Opening Inventory	\$1,000 to \$5,000	Lump Sum	Before opening	Suppliers and distributors
Insurance ⁽³⁾	\$2,000 to \$4,000	Lump Sum or Payment Schedule	Prior to opening	Insurance Providers
POS System ⁽⁴⁾	\$1,500 to \$3,000	As Incurred	As Incurred	Third Parties
Professional Fees, Licenses and Permits ⁽⁵⁾	\$1,500 to \$3,500	As Incurred	As Incurred	Professional service providers, governmental authorities
Additional Funds – 3 Months ⁽⁶⁾	\$1,000 to \$2,000	As Incurred	As Incurred	Third Parties
Estimated Total ⁽⁷⁾	\$82,000 to \$132,500			

Notes for the Food Truck Franchise:

These estimated initial expenses are our best estimate of the costs you may incur in adding a Food Truck to your The Original Rainbow Cone Business. None of the fees payable to us are refundable. Fees paid to vendors or other suppliers may or may not be refundable depending on their policies or your arrangements with them.

(1) Food Truck Fee – The Food Truck Fee is \$10,000, is payable in full when you sign the Food Truck Amendment and is non-refundable.

(2) Truck Purchase and Outfitting – This estimate includes the cost to purchase a truck meeting our standards and specifications, including delivery charges, purchase the required equipment and fixtures, to have the equipment and fixtures installed in the truck following our standards and specifications, and to purchase and have installed a wrap for the truck. Our current specifications are for a Ram ProMaster 2500 Cargo Van High Roof 159” WB. The truck can be used as long as it is in good condition.

(3) Insurance – You will need to obtain additional coverage to your existing insurance policy to cover the Food Truck and its operations.

(4) POS System - You will need to purchase additional software and hardware to use the point of sale system at the Food Truck.

(5) Professional Fees, Licenses and Permits - This amount estimates the fees paid to governmental agencies for obtaining required food truck licenses or permits and for professional services to assist you in obtaining the required licenses or permits.

(6) Additional Funds - This is an estimate of additional expenses you may incur by adding a Food Truck operation to your The Original Rainbow Cone Business during the first 3 months of operations, Additional funds for the first 3 months is estimated to range as shown in the charts above, and includes general operating expenses, such as supplies, food and beverage products, packaging, payroll, payroll expenses, royalties, advertising, insurance, and other costs. These figures are estimates and we cannot assure you that you will not have additional expenses in starting to operate a Food Truck. Your actual cost will depend on factors including without limitation your management skill, experience and business acumen, local economic conditions, the local market for your Food Truck, wage and labor rates, competition in the marketplace, the local market for your products and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

(7) Total - We relied on our affiliate’s experience in operating The Original Rainbow Food Trucks to compile these estimates. Except as otherwise noted, none of these payments are refundable. These payments are only estimates and your costs may be higher, depending on your particular circumstances. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a Franchise. We do not offer any financing for your initial investment. The availability and terms of financing with third-party lenders will depend on factors such as the availability of financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

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

Area Development Agreement

If you sign an Area Development Agreement, you should anticipate the initial costs listed in the chart above for the opening of the first The Original Rainbow Cone Business plus the Development Fee as described in Item 5.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and Designated and Approved Suppliers

You must purchase ice cream and other ingredients and food products, beverages, packaging, equipment, signs, fixtures, point-of-sale system, software, marketing materials, marketing and promotional services, online/gift card/loyalty program services, architectural and accounting services, construction materials, uniforms and cleaning supplies required in the establishment and operation of the Franchised Business from suppliers we designate.

You must purchase other materials, supplies and services required for the operation of the Franchised Business solely from suppliers who demonstrate the ability to meet our standards and specifications for such item, who possess adequate quality controls and capacity to supply the needs of our franchisees promptly and reliably and who have been approved by us in writing and such approval has not thereafter been revoked, or following our standards and specifications for such items. The Manual will contain a list of designated and approved suppliers as well as other purchasing standards and specifications.

Currently we are not a designated or approved supplier. Our affiliate The Buona Companies, L.L.C. is currently an approved supplier, but not the only approved supplier, of marketing materials. Our affiliate, Keystone Planning + Design, PLLC is currently the only designated supplier for design and architectural services.

You must purchase, install, maintain in sufficient supply, and use, only fixtures, furnishings, other equipment, computer hardware and software, point of sale systems, signs, insurance and other products and services that conform to the standards and specifications described in the Manual or otherwise in writing. Other than the requirements above and as more specifically set forth in the Manual, you are not obligated to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate from us or any other specifically designated source.

If you are adding a Food Truck to your The Original Rainbow Cone Business, you must purchase the food truck and required equipment, fixtures and wraps from supplier approved by us.

Approval of alternative suppliers

If you desire to purchase any such items from an unapproved supplier, you or the supplier must submit to us a written request for approval. We may require, as a condition of approval, that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered either to us or an independent laboratory we designate for testing prior to granting approval. Either you or the supplier must pay a charge not to exceed our reasonable cost of inspection and the actual cost of testing. We will notify you of approval or disapproval of a supplier within approximately 30 days. We do not provide our criteria for approving suppliers to our franchisees. We may re-inspect the facilities and products of any approved supplier at any time and revoke our prior approval upon failure of such supplier to continue to meet our criteria for supplier approval.

Other than minority interest in our affiliates, none of our officers owns an interest in any of the designated or approved suppliers.

Insurance Requirements

You must maintain in force all risk property insurance on contents including improvements and betterments in an amount equal to 100% replacement value; commercial general liability insurance, to include personal injury, property damage and products liability; workers' compensation and employers' liability; comprehensive auto liability; liquor liability insurance if applicable; business interruption insurance (in an amount sufficient to cover the royalty, marketing fees and technology fees due under the Franchise Agreement, for a period of at least 12 months); cyber insurance coverage; PCI DSS liability coverage; and umbrella/excess liability coverage. All insurance policies must be issued by carriers we have approved and who are authorized to do business in the state where your Franchised Business is located, must contain the types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time in the Franchise Agreement or in the Manual, must name us as additional insured, must provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of such policy and must include all other provisions we may require from time to time.

Revenue from franchisee purchases

In the year ending December 31, 2023, we did not have any revenue from franchisees' leases or purchases of products or services. In the year ending December 31, 2023, our affiliate Keystone Planning + Design, PLLC had revenue from franchisee purchases of \$16,000 or 1.5% of its total revenue of \$1,075,000.

In the year ending December 31, 2023, our affiliate The Buona Companies, L.L.C. had no revenue from franchisee purchases.

We estimate that the purchase of supplies, equipment, inventory, fixtures, goods, services and products from us or our designated or Approved Suppliers, or those meeting our standards and specifications, will be between 60% to 80% of your total initial cost and between 30% to 45% of the total ongoing costs to operate The Original Rainbow Cone Business.

Cooperatives

We do not have any purchasing or distribution cooperatives as of the date of this Franchise Disclosure Document.

Negotiated Prices; Rebates

We negotiate purchase arrangements with certain suppliers and distributors for the benefit of our franchisees. Currently, no approved suppliers pay rebates to us based on purchases by franchisees. We may receive rebates from suppliers in the future.

Material Benefits

We do not provide material benefits, such as renewing or granting additional franchises, to franchisees based on their use of designated or approved supplier's products or services. However, you must comply with the requirements to purchase from designated or approved suppliers to be in compliance with your Franchise Agreement.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

“ADA” as used in this table means Area Development Agreement. All other references are to provisions in the Franchise Agreement.

Obligation		Section in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Sections 1.1, 6.2 and 9.2(b), Exhibit A	Item 11
b.	Pre-opening purchases/leases	Sections 9.2, 9.3 and 9.4, and 10.3 Food Truck Amendment, Par. 8	Items 5 and 7
c.	Site development and other pre-opening requirements	Sections 1.1, 6.1, 6.2, 6.3, 6.4, 6.5, 8.2, 8.3, 9.2, 9.3 and 9.4 Kiosk Addendum, Par. 5 Food Truck Amendment, Par. 10	Items 5, 6, 7, 8 and 11
d.	Initial and ongoing training	Article VIII Food Truck Amendment, Par. 3	Item 11
e.	Opening	Section 6.1 and 16.2(a) Kiosk Addendum, Par. 6	Items 8 and 11
f.	Fees	Sections 2.2, 3.1, 3.2, 3.3, 3.4, 3.5, 4.7, 8.2, 8.3, 8.5, 8.6, 15.3(m), 15.5 and 16.9; Kiosk Addendum, Par. 4; Food Truck Amendment, Par. 2 and 13 ADA – Section 2	Items 5 and 6

Obligation		Section in Franchise Agreement	Disclosure Document Item
g.	Compliance with standards and policies	Article VII and Section 10.2 Food Truck Amendment, Par. 4	Items 8 and 11
h.	Trademarks and proprietary information policies/Operating Manual	Article V ADA – Section 6	Items 13 and 14
i.	Restrictions on products/services offered	Article X and Sections 10.1, 10.2, 10.3 and 10.7 Kiosk Addendum, Par. 9 Food Truck Amendment, Par. 7 and 11	Item 16
j.	Warranty and customer service requirements	Sections 10.7, 10.12	Item 11
k.	Territorial development and sales quotas	N/A ADA – Section 3	Item 12
l.	Ongoing product/service purchases	Section 10.3	Item 8
m.	Maintenance, appearance and remodeling requirements	Sections 9.2, 9.3, 10.1 and 10.12 Kiosk Addendum, Par. 12 Food Truck Amendment, Par. 12	Item 11
n.	Insurance	Article XII	Item 8
o.	Advertising	Section 1.6, 3.3, 10.14 and Article XI Kiosk Addendum, Par. 8	Item 11
p.	Indemnification	Sections 10.10(e), 12.4, 15.7, 16.8 and 19.3	Item 6
q.	Owner’s participation/management/staffing	Sections 6.1, 10.6, 10.7 and 14.1	Item 15

Obligation		Section in Franchise Agreement	Disclosure Document Item
r.	Records/reports	Article IV Food Truck Amendment, Par. 14	Item 11
s.	Inspections/audits	Sections 4.7, 5.11, 9.4, 10.3, and 10.16	Item 8
t.	Transfer	Article XV ADA – Section 8	Item 17
u.	Renewal	Sections 2.2 and 2.3	Items 6 and 17
v.	Post-termination obligations	Section 17.1 Food Truck Amendment, Par. 16 ADA – Section 7.4	Item 17
w.	Non-competition covenants	Article XIV ADA – Section 9	Items 14, 15 and 17
x.	Dispute resolution	Article XXIV ADA – Section 12	Item 17
y.	Other: Guaranty	Section 6.1(a) and Exhibit E ADA – Section 15 and Exhibit C	

ITEM 10
FINANCING

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

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

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

Pre-Opening Assistance

Franchise Agreement

After the Franchise Agreement is signed and before you open your The Original Rainbow Cone Business, we or our designees will:

1. Grant you the right to use the Marks in connection with your The Original Rainbow Cone Business (Franchise Agreement, Section 5.1).
2. Provide you with lists of designated and approved suppliers and other purchasing standards and specifications and guidance on ordering (Franchise Agreement, Section. 9.2(a) and Section 10.3).
3. While we provide you location research and assistance in selecting your site as we deem advisable, (including real estate and demographic analysis subject to the availability of our personnel (Franchise Agreement, Section 9.2(b)), it is your responsibility to decide on the location of your site for The Original Rainbow Cone Business, subject to our approval (Franchise Agreement, Section 1.1 and Exhibit A).
4. Designate a Protected Territory for your The Original Rainbow Cone Business (Franchise Agreement, Section 1.3 and Exhibit A).
5. Approve the letter of intent for your lease and your lease before execution by you as further discussed below (Franchise Agreement, Section 6.3).
6. Provide typical floor plans and site build-out specifications for the construction of your The Original Rainbow Cone Business and further assist you with the design and layout of your The Original Rainbow Cone Business (Franchise Agreement, Section 9.2(c)).
7. Provide one of your owners and managers (as specified below) with initial training. (Franchise Agreement, Section 8.2(a)).
8. Provide onsite opening assistance at the location of your The Original Rainbow Cone Business with designated staff and our trainers. (Franchise Agreement, Section 8.3).
9. Give you online access to the Operations Manual. (Franchise Agreement, Section 7.1) The Table of Contents for the Operations Manual is attached at Exhibit G to this Franchise Disclosure Document. As of the date of this Disclosure Document, the Operations Manual has a total of 338 pages. The Table of Contents of the Food Truck Training Manual is also attached at Exhibit G. The total number of pages in the Food Truck Training Manual is 24.
10. Provide you with written consent to open The Original Rainbow Cone Business (Franchise Agreement, Section 6.5).

We have no other pre-opening obligations to you.

Continuing Assistance

During your operation of your The Original Rainbow Cone Business, we or our designees will:

1. Will provide you periodic advisory assistance with respect to the operation of your The Original Rainbow Cone Business. (Franchise Agreement, Section 9.1).

2. Will notify you about changes, additions, deletions and supplements to the Manual, all of which are incorporated into and become a part of the Manual, either in writing or by posting on our intranet or website (Franchise Agreement, Section 7.1). You are required to follow the Manual in the operation of The Original Rainbow Cone Business and implement any changes of which we notify you.
3. May provide additional training, seminars, meeting or webinars for franchisees and managers (Franchise Agreement, Section 8.4(b)) and may hold national, regional and local conferences for franchisees to discuss updates to products, services, methods, operational standard, policies and procedures, and marketing and advertising (Franchise Agreement, Section 8.5).
4. May periodically as we deem advisable, conduct ourselves or through third parties inspections of your The Original Rainbow Cone Business and evaluate its operations (Franchise Agreement, Sections 5.11, 9.4, 10.13 and 10.14).
5. May provide you a page on or link to our The Original Rainbow Cone website for promotion of The Original Rainbow Cone Business (Franchise Agreement, Section 9.6)

Site Selection

You are responsible for locating a site for The Original Rainbow Cone Business, subject to our site approval process. Before leasing or purchasing the site for The Original Rainbow Cone Business, you must submit to us, in the form we specify, a description of the site, with other information and materials we may reasonably require. You must submit a proposed site that is acceptable to us within 6 months of signing the franchise agreement. If we disapprove a proposed site, you must select another site, subject to our consent. If you have not obtained our written approval of a site within these time frames, we may terminate your Franchise Agreement.

For Developers, as you establish each location under the Area Development Agreement, we will determine whether a site you propose is approved based on our then-current for approving a site.

The factors we consider in approving sites include but are not limited to location, size, suitability, layout, access and visibility of the proposed location, proximity to other businesses, location and nature of any competitors, population density and demographics, household income, vehicle traffic, pedestrian traffic, existing tenant mix, parking convenience and any other factors that may be relevant to your market. We will endeavor to approve or disapprove the site within 30 days after we receive the information and materials to evaluate the proposed site. Once we have approved your location, we will amend your Franchise Agreement to show the specific location as the only location where you are authorized to operate The Original Rainbow Cone Business.

Once we have approved a site, you will prepare and submit a letter of intent to the landlord for the site and obtain a proposed lease. We must approve the letter of intent for your lease and the lease for your approved site before you execute them. The factors we consider in approving a lease include but are not limited to whether the terms are commercially reasonable based on the current market conditions, the length of the term, and the rights to cure upon default. In addition, a condition of approval of the lease will be the agreement of the landlord to execute our form of Addendum to Lease and Collateral Assignment of Lease that is attached to the Franchise Agreement as Exhibit B, or alternatively providing similar language in the executed lease in a form approved by us. These requirements apply whether the lessor is an unrelated third party or is an affiliate of yours. If the lease is not approved by us, you must locate another site that meets our approval.

You will provide a copy of the executed lease to us. You will provide to us the names and contact information for your landlord and/or management companies of the approved site of your The Original Rainbow Cone Business. We reserve the right to contact your landlord and/or management company for the purposes of assessing your performance and customer satisfaction.

You may not relocate your The Original Rainbow Cone Business without first obtaining our prior written consent.

Time to Open

It is estimated that the length of time between your signing the Franchise Agreement and the opening of The Original Rainbow Cone business will be approximately 12 to 18 months for a Free Standing restaurant, approximately 12 to 15 months for an In-Line Restaurant, and 4 to 8 months from a Kiosk. Factors affecting this length of time include the time it takes to obtain financing, locate and obtain approval of the leased premises, obtain our lease approval and execute a lease, build-out and equip the leased premises, hire managers, and for you and your managers to successfully complete the initial training program.

You must open your Free Standing Franchised Business within 12 months after obtaining our approval of your site for ground up construction with within 10 months after obtaining our approval of your site for an existing location. You must open your In-Line or Kiosk Franchised Business within 12 months after obtaining our approval of your site for ground up construction with within 8 months after obtaining our approval of your site for an existing location. If extenuating circumstances beyond your control exist and you are making reasonable efforts to open the Franchised Business, we may (in our sole discretion) agree to extend that time period for an additional reasonable amount of time. Otherwise, we may terminate your Franchise Agreement for your failure to open your The Original Rainbow Cone Business within the required time period.

It is estimated that the length of time between your signing a Food Truck Amendment and the date on which you begin operating the Food Truck is 6 months. There is no date by which you must start operating the Food Truck. You must obtain our written consent to begin operating the Food Truck (Food Truck Amendment, Paragraph 10).

Advertising

We administer a brand marketing fund (“Marketing Fund”). You will contribute to the Marketing Fund as described in Item 6. All franchisees will contribute to the Marketing Fund on the same basis.

We will be entitled to direct all advertising, marketing and promotional programs financed by the Marketing Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. You agree that the Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering national, regional or local advertising programs including, without limitation, direct mail and other media advertising, and employing advertising agencies to assist in those activities; establishing and maintaining The Original Rainbow Cone Website; social media advertising and marketing programs; developing and maintaining other presence on the Internet, including reputation management and system-wide online programs for customer ordering and loyalty rewards program; intranet development supporting public relations; market research and marketing activities; providing advertising, marketing and promotional materials to The Original Rainbow Cone Businesses; and any and all other activities for the purpose of promoting the Marks and The Original Rainbow Cone Businesses. The Marketing Fund will

furnish you with approved advertising, marketing and promotional materials at its direct cost of producing those materials.

The Marketing Fund will be a separate and distinct account and will be accounted for separately from the our other funds and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs and overhead we may incur in activities reasonably related to the administration of the Marketing Fund and its advertising, marketing and promotional programs (including, without limitation, conducting market research, preparing advertising, marketing and promotional materials, and collecting and accounting for contributions to the Marketing Fund). We may spend in any fiscal year an amount greater or less than the total contribution of The Original Rainbow Cone Businesses to the Marketing Fund in that year. We may cause the Marketing Fund to borrow from us or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising, marketing and promotional costs of the Marketing Fund before other assets of the Marketing Fund are expended. Annually, we prepare an unaudited statement of monies collected and costs incurred by the Marketing Fund and will furnish it to you on written request.

You understand and acknowledge that the Marketing Fund is intended to maximize recognition of the Marks and patronage of The Original Rainbow Cone Businesses. Although we will endeavor to use the Marketing Fund to develop advertising, marketing and promotional materials, and to place advertising in a manner that will benefit all The Original Rainbow Cone Businesses, we have no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by The Original Rainbow Cone Businesses operating in that geographic area or that any The Original Rainbow Cone Business will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising, marketing and promotional materials or the placement of advertising. We assume no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction, or administration of the Marketing Fund. We may terminate or discontinue the Marketing Fund upon 30 days' notice to our franchisees. In that event, we will distribute all unspent monies to our franchisees in proportion to their respective contributions made in the previous 12 months. We have the right thereafter to reinstate the Marketing Fund upon 30 days' notice to our franchisees.

Our affiliate-owned The Original Rainbow Cone Businesses will not contribute to the Marketing Fund.

The media currently being used by the Advertising Fund is social media and public relations. The advertising is local, regional and national in scope. The advertising and marketing programs are currently being developed by both in-house staff and outside marketing agencies.

For the year ending December 31, 2023, the fees collected by the Advertising Fund were spent as follows: 0% on production, 100% on media placement, 0% on administrative expenses. In 2023, we did not receive any payments from the Advertising Fund for services rendered or products sold to the Fund. In 2023, no monies from the Advertising Fund were used by us principally for solicitation of new franchisees.

If a local marketing co-operative exists or is formed in your area or region consisting of The Original Rainbow Cone franchisee and/or affiliate-owned restaurants, you agreed to join and participate in the co-operative. The members of the cooperative are responsible for the maintenance, direction and administration of the co-operative. We assume no responsibility for the maintenance, direction or administration of the co-operative, including any failure of franchisees to make contributions to the co-operative. There are no franchisee advertising cooperatives currently in existence.

Within 90 days of the date of the opening of The Original Rainbow Cone Business, you must conduct an advertising and marketing campaign announcing the grand opening of your The Original Rainbow Cone Business. You must spend a minimum amount on grand opening advertising and marketing. Grand opening monies will be spent on social media, print, radio, digital advertising and/or other advertising or promotions that you and we agree is best suited for your grand opening campaign.

In addition to your contribution to the Marketing Fund, beginning on the date of opening of The Original Rainbow Cone Business, you must spend a minimum of 2% of the Gross Sales during each period of the fiscal year on local advertising, marketing and promotion. You will make these expenditures directly, subject to our approval and direction. At our request, you must furnish to us in a manner approved by us an accurate accounting of Franchisee's local advertising and marketing expenditures for each calendar quarter.

You must obtain our prior written approval of any marketing materials you use. If you desire to use your own advertising materials, you must obtain our prior approval, which may be withheld in our sole discretion. We will review your request and we will endeavor to respond in writing within 30 days from the date we receive all requested information. Our failure to notify you will be deemed the disapproval of your request. Your use of the Marks and other name identification materials must follow our approved standards. You may not use the Marks or other name identification materials on items to be sold or services to be provided without our prior written approval, which may be withheld in our sole discretion.

Computer Systems

You must purchase and use a computer for use in your business operations and point-of-sale (POS) system and applications for the operation and marketing of the restaurant.

We require you to purchase a POS system that we designate along with various web-based platforms, software and/or applications. We currently require you to purchase and use the Toast POS system along with software and applications for customer feedback, online ordering, third party delivery, loyalty/gift programs, payment processing, phone support, inventory, labor and accounting, restaurant security, third party delivery, and catering.

As part of the technology fee, you currently are provided access Franconnect training and internet software, Meazure Up for checklists, and ProfitKeeper for financial reporting, and Brainier, a learning management system. For other software and applications, you will pay the providers directly. The estimated monthly cost for required software and applications is \$1,500 per month.

We estimate the initial cost of purchasing the POS system and related software and application, including installation, to be \$5,400 to \$6,600 for a Free Standing franchise, \$2,600 to \$4,000 for an In-Line franchise, and \$3,750 to \$4,700 for a Kiosk franchise.

If you enter into a Food Truck Amendment, you must purchase a separate POS system for the Food Truck that works in conjunction with the POS system in your The Original Rainbow Cone Business. The estimated initial cost for the software and hardware for the POS system is \$1,500 to \$3,000.

The estimated cost for the purchase of the office computer system is \$5,000.

You must install and maintain equipment and a high-speed internet connection to permit your POS to link to the cloud. We have the right to independently access your electronic information through the cloud and to retrieve and use your electronic information and data in any manner we deem necessary or desirable to promote or develop the System and the sale of franchises. There is no contractual limitation on our right

to receive or use information we obtain from The Original Rainbow Cone Business. (Franchise Agreement, Section 10.8)

To ensure full operational efficiency and optimum communication capability, you must, at your expense, keep your POS and computer systems in good condition, and promptly install all additions, changes, modifications, substitutions or replacements to hardware, software, and other computer-related facilities, as we may direct from time to time. There is no limitation on the frequency or cost of your obligation to upgrade or replace your POS and computer systems. Neither we nor any affiliate have any ongoing obligation to provide ongoing maintenance, upgrades or updates to your computer system. You must obtain and pay for your own technical support for the computer system. The estimated annual cost to maintain the POS and computer systems is \$1,200. You are also responsible for protection your POS and computer systems from virus, computer hackers and other computer-related and technology-related problems.

You must comply with all laws related to the operation of your The Original Rainbow Cone Business, including those related to data security and privacy and you must comply with all payment card industry (PCI) data security standards. Your estimated costs for this compliance is \$125 per month.

Training

Prior to attending in-person training, your operating owner and managers must complete and pass the following pre-training courses on our web-based training system.

Subject	Hours of E-Learning Training
Orientation	½
History/Philosophy of Rainbow Cone	½
Use of the Manual	1
Pre-Opening Procedures	1
Food Safety/Sanitation Procedures	3 ½
Store Safety and Security	3 ½
Product Orientation	4
Guest Service Procedures	4
Operating CTUIT Platform	5 ½
Operating Toast POS form	3
Operating Brainier Platform	2
Franchise Reporting	2
Marketing / Advertising	2 ½
Personnel Policy Development	7
Total	40

Prior to opening for business, an operating owner having at least 10% ownership in the franchisee entity must attend and complete, to our satisfaction, our initial training program for owners and managers. For the Free Standing franchise, the general manager and one assistant manager must attend and satisfactorily complete initial training and for the In-Line franchise and Kiosk franchise one manager must attend and satisfactorily complete initial training. All personal expenses, including without limitation travel, food and lodging costs, incurred by your owners and managers will be paid by you. Neither your owners nor your employees will receive any compensation from us for services performed during training.

We provide our initial training program to you to protect the System, the Marks and our goodwill, not to control the day-to-day operations of your Rainbow Cone Business. Initial training will be conducted as necessary for new franchisees. Training must be completed 30 days prior to the opening of your The Original Rainbow Cone Business. We will offer training to you at a time that you can complete the training prior to this deadline.

The training materials include online instruction and information and the Manual.

Currently the initial training is conducted by the following individuals who are employed by companies affiliated with us and who provide training services to us:

- Steve Felson, Senior Vice President, Operations and Training for The Buona Companies, L.L.C.
 - Mr. Felson has been Senior Vice President, Operations and Training since January 2024. He has 40 years of prior experience in franchise operations and training.
- John Westland, Director of Franchise Operations for The Buona Companies, L.L.C.
 - Mr. Westland has been Director of Franchise Operations since March 2024. He has 40 years of prior experience in franchise operations.
- Bryan Feltman, Corporate Trainer, Original Rainbow Cone LLC since 2022
 - Mr. Feltman has been with the company for over 15 years. Starting as a scooper, he advanced each year and was General Manager of the original affiliate-owned location, and opened the first drive thru location in 2021. He oversees the training and development of new and existing managers and team members.
- Abraham Soto, General Manager, Original Rainbow Cone LLC
 - Mr. Soto has been the General Manager for the original affiliate-owned location and has been with the company since 2020.
- Ricky Jimenez, Training Manager, Original Rainbow Cone LLC
 - Mr. Jimenez has worked as a training manager and trained shop managers since 2022.
- Brei Ana Johnson, Training Manager, Original Rainbow Cone LLC
 - Ms. Johnson has worked as a training manager and trained shop managers since 2022.
- Christina Noel, Learning and Development Manager, The Buona Companies LLC
 - Mrs. Noel is the Learning and Development manager for the Buona Companies LLC. She has been with the company since 2021. During that time, she has built a robust e-learning and hands-on-training program which drives performance in the operation. She has also been involved in numerous store openings.
- Jenifer Navarro, Learning and Development Specialist, The Buona Companies LLC
 - Ms. Navarro has been a learning and development specialist for The Buona Companies since 2021. She has been a crucial part in the development of the training tools for the Original Rainbow Cone and its affiliates. She is tasked with maintaining the e-learning modules and in-store compliance for Rainbow Cone.
- Brie Craft, Franchise Training and Onboarding Manager, The Buona Companies LLC

- Ms. Craft is the Franchise Training and Onboarding Manager for The Buona Companies LLC. She has been with the company since 2016. During that time, she has opened new locations, updated the e-learning tools, and provided store side support with technology integrations over the past years.

Other representatives and members of our operations development and marketing teams, and related personnel, may conduct certain portions of training.

You must replace any manager who fails to successfully complete a training program or who in our opinion is otherwise not qualified to manage your The Original Rainbow Cone Business. If your designated operating owner fails to successfully complete the initial training, we reserve the right to terminate your Franchise Agreement.

Our entire training program is subject to change without notice to you due to updates in materials, methods, manuals and personnel. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the experience of those persons being trained.

The subjects covered and approximate hours of on-the-job training are described below:

**Training Program
Owner and Manager for Free Standing and In-Line Franchises**

Subject	Hours of Classroom Training	Hours of “On-The-Job” Training	Location
Orientation: Meet the Team & Tour of Facilities	0	½	Chicago, Illinois at a restaurant we designate.
“Cone Artist” Position Training	0	35	Chicago, Illinois at a restaurant we designate.
Toast POS Platform	0	15	Chicago, Illinois at a restaurant we designate.
Catering and Cake Order Fulfillment	0	3	Chicago, Illinois at a restaurant we designate.
Drive Thru Operations Training	0	18	Chicago, Illinois at a restaurant we designate.
Train the Trainer: Team Member Development	0	3	Chicago, Illinois at a restaurant we designate.
Money Handling	0	2	Chicago, Illinois at a restaurant we designate.
Management Philosophy & Activity Organization	0	½	Chicago, Illinois at a restaurant we designate.
Daily Responsibilities of a Manager	0	20	Chicago, Illinois at a restaurant we designate.
Managing the Guest Experience	0	5	Chicago, Illinois at a restaurant we designate.
Managing Personnel	0	5	Chicago, Illinois at a restaurant we designate.
Food Safety / Sanitation Enforcement	0	1	Chicago, Illinois at a restaurant we designate.

Facility Management	0	1	Chicago, Illinois at a restaurant we designate.
Store Safety and Security	0	2	Chicago, Illinois at a restaurant we designate.
Operational and Financial Reporting	0	6	Chicago, Illinois at a restaurant we designate.
Labor Cost Control Management	0	4	Chicago, Illinois at a restaurant we designate.
Food Cost Control and Inventory Management	0	4	Chicago, Illinois at a restaurant we designate.
Franchise Reporting	0	6	Chicago, Illinois at a restaurant we designate.
Marketing / Advertising	0	4	Chicago, Illinois at a restaurant we designate.
Total		135 Hours	

**Training Program
Owner and Manager for Kiosk Franchises**

Subject	Hours of Classroom Training	Hours of “On-The-Job” Training	Location
Orientation: Meet the Team & Tour of Facilities		½	Chicago, Illinois at a restaurant we designate.
“Cone Artist” Position Training		27	Chicago, Illinois at a restaurant we designate.
Toast POS Platform		9	Chicago, Illinois at a restaurant we designate.
Cake Order Fulfillment		2	Chicago, Illinois at a restaurant we designate.
Train the Trainer: Team Member Development		2	Chicago, Illinois at a restaurant we designate.
Money Handling		1	Chicago, Illinois at a restaurant we designate.
Management Philosophy & Activity Organization		½	Chicago, Illinois at a restaurant we designate.
Daily Responsibilities of a Manager		27	Chicago, Illinois at a restaurant we designate.
Managing the Guest Experience		3	Chicago, Illinois at a restaurant we designate.
Managing Personnel		3	Chicago, Illinois at a restaurant we designate.
Food Safety / Sanitation Enforcement		½	Chicago, Illinois at a restaurant we designate.
Facility Management		½	Chicago, Illinois at a restaurant we designate.
Store Safety and Security		1	Chicago, Illinois at a restaurant we designate.

Operational and Financial Reporting		3	Chicago, Illinois at a restaurant we designate.
Labor Cost Control Management		2	Chicago, Illinois at a restaurant we designate.
Food Cost Control and Inventory Management		2	Chicago, Illinois at a restaurant we designate.
Franchise Reporting		4	Chicago, Illinois at a restaurant we designate.
Marketing / Advertising		2	Chicago, Illinois at a restaurant we designate.
Total		90 Hours	

Following your completion of the initial training program and around the time of the opening of The Original Rainbow Cone Business, we will send our representatives to your restaurant for onsite training and opening assistance. Our trainers will work with your operating owner and your managers. The training will take place approximately 10 days before opening and 21 days after opening for a Free Standing Franchise or In-Line Franchise and approximately 5 days before opening and 7 days after opening for the Kiosk franchise. However, the length of the training and the number of trainers will vary depending on the type of franchise you purchase, your prior restaurant business experience, and the quality and experience of the managers and staff that you have hired.

If you enter into a Food Truck Amendment to purchase the rights to operate a Food Truck, we will provide you approximately 3 days of virtual training relating to the operation of the Food Truck. Your Operating Owner must successfully complete this training before you begin operating the Food Truck.

Training Program Food Truck

Subject	Hours of Classroom Training	Hours of “On-The-Job” Training	Location
Truck Trouble Shooting	8		Virtual
Truck point of sale & Reporting	8		Virtual
Truck Food Operations	8		Virtual
Total	24		

The operating owner and/or managers of your The Original Rainbow Cone Business may be required by us to attend additional training programs, meetings, and webinars that we specify for up to 10 days each calendar year. We may charge a tuition fee for attendance at such training, meeting or webinars. You will be responsible for all costs or expenses associated with your owner’s and/or managers’ attendance at such training programs, meetings and webinars.

We may hold and require all franchisees to attend national, regional or local conferences for the Original Rainbow Cone franchisees to discuss updates to products, services, methods, operational standards, policies and procedures, and marketing and advertising. If we hold such conferences, your operating owner may be required to attend up to 4 days each calendar year. We may charge you a fee to attend the conference (“Conference Registration Fee”). If your operating owner fails to attend any conference held during the term of this Agreement for which attendance is mandatory, you remain obligated to pay the

Conference Registration Fee. Any costs or expenses associated with your owner's attendance at such conferences will be your responsibility.

You may request and we may provide additional initial or ongoing training beyond the amount normally provided to franchisees for our then-current training fees, plus any travel and living expenses incurred by our representative if travel to your restaurant is necessary to conduct the additional training.

ITEM 12 **TERRITORY**

We will grant you the right to operate a The Original Rainbow Cone Business under the Marks at one specific location approved by us ("Approved Location"). Once a site is selected by you and approved by us, you may not relocate your The Original Rainbow Cone Business without our prior written approval, which approval will not be unreasonably withheld provided you are not then in default under the Franchise Agreement or any other agreement between you and us or any of our affiliates. Our approval for relocation is based on the same standards we use to approve new The Original Rainbow Cone Business sites.

If you are purchasing a Free Standing franchise or an In-Line franchise, you will be granted a protected area. During the term of the Franchise Agreement, provided your or any of your affiliated companies are not in default of the Franchise Agreement or any agreement with us, a parent, subsidiary or affiliate, we will not establish, nor grant another the right to establish a The Original Rainbow Cone Restaurant within the Protected Area that will be described in Exhibit C to the Franchise Agreement (the "Protected Area"). The Protected Area will be determined once you have secured an approved site for your restaurant. If you are purchasing a Free Standing franchise or an In-line franchise in a non-urban location, the Protected Area will have a minimum population of 40,000. If you are purchasing a Free Standing franchise or an In-line franchise in an urban location, the Protected Area will have a ½ mile radius from the approved site.

If you are purchasing a Kiosk franchise, you will not be granted a protected area. For this franchise, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You may not use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of and apart from your The Original Rainbow Cone Business without our prior written consent, which we may withhold in our sole discretion. You must focus your marketing and promotion of the Franchised Business within the Protected Area and must not conduct targeted marketing outside of the Protected Area. Otherwise, you are not prohibited from accepting order from customers outside of your Protected Area.

If you subsequently enter into a Food Truck Amendment for the operation of a Food Truck you may not operate the Food Truck outside of your Protected Area, except with our prior written consent which may be subsequently withdrawn. In no event may you operate the Food Truck within the protected area of another franchisee.

We do not pay compensation for soliciting or accepting orders inside your Protected Area.

We retain the rights, among others, without any compensation to you:

1. To use, and to license others to use, the Marks and the System for the operation of The Original Rainbow Cone Businesses at any location outside of your Protected Area;

2. To establish ourselves or through an affiliate or grant a Kiosk franchise for a The Original Rainbow Cone Business at a captive site within your Protected Area;
3. establish company-owned or franchisee-operated businesses that sell similar products and/or services under different trade names or trademarks other than the Marks or System;
4. to sell products or services under the Marks, or any other marks, through any other wholesale or retail outlets;
5. to use the Marks or the System to sell any products, including products that are the same or similar to those which you will sell, within and outside of your Protected Area, through any alternative channels of distribution, regardless of their proximity to your location or their impact on your existing or potential customers. This includes without limitation grocery stores, convenience stores, club or warehouse stores, other retail outlets, direct marketing sales, and other channels of distribution such as television, direct mail, mail order, catalog sales, telemarketing, or over the internet. We exclusively reserve the internet, including computerized or remote entry ordering systems, as a channel of distribution for us, and you may not independently market on the internet or conduct e-commerce unless you have received our prior written permission (which we may withhold in our sole discretion) or unless such activities are expressly authorized by the Manual;
6. To acquire, merge with, or be acquired by any other business, including a business that operate or license businesses that compete directly with your The Original Rainbow Cone Business; and
7. To implement multi-area marketing programs, including internet and regional or national accounts, which may allow us or others to solicit or sell to customers anywhere. We reserve the right to issue mandatory policies to coordinate these multi-area marketing programs.

You will not receive the right to acquire additional franchises or additional The Original Rainbow Cone Businesses, or a right of first refusal on the sale of existing franchises under the Franchise Agreement.

Continuation of your rights to the Protected Area is not dependent upon achieving a certain sales volume, market penetration or other or market penetration or other contingency.

Area Development Agreement

Under the Area Development Agreement, a geographic area (or multiple areas) is designated within which it is expected you will develop the multiple The Original Rainbow Cone Businesses during the term of the Area Development Agreement (“Development Area”). The Development Area will be described in Exhibit A to the Area Development Agreement. The size of the Development Area will vary and will depend on the number of restaurants you intend to open, our analysis of the market potential and your financial and operational abilities.

As long you are in compliance with the Development Schedule and otherwise in compliance with the Area Development Agreement, during the term of the Area Development Agreement, we will not establish, nor license anyone other than Developer the right to establish any The Original Rainbow Cone Business in the Development Area. We (and any affiliate) reserve the right:

1. To distribute products and services which are part of the System through any alternative distribution channels including, but not limited to, supermarkets and other retail facilities, wholesale sale, catalogs, direct marketing, the Internet or similar electronic media, using the Marks;


2. To establish businesses which are franchised, licensed or owned by us or any affiliate at any locations we deem appropriate or distribute products or services which are similar to the products and services offered under the System under trade names, trademarks, service marks, trade dress or other commercial symbols other than the Marks;
3. To acquire or be acquired by another franchisor establishing businesses identical or similar to The Original Rainbow Cone Business, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including the Development;
4. To implement and maintain multi-area marketing programs at any time, including internet and regional or national accounts. We reserve the right to establish mandatory policies and procedures for these multi-area marketing programs;
5. to engage in any other business activities not expressly prohibited by the Area Development Agreement.
6. Your continued exclusive rights to the Development Area are dependent upon you meeting all of the deadlines in the Development Schedule.



If you default in your obligations under the Development Schedule, we may, in our sole discretion, do any one or more of the following: (i) immediately terminate the Area Development Agreement and all rights granted under to you without affording you any opportunity to cure the default effective by delivery to you of a written notice from us; (ii) reduce the number of The Original Rainbow Cone Businesses which you have the right to establish and open pursuant to the Development Agreement; or (iii) exercise any other rights and remedies which we may have under applicable law.

As you develop each The Original Rainbow Cone Business under the Area Development Agreement, the Protected Area granted under each Franchise Agreement will be based on our then-current standards for granting protected areas, which may differ from standards for protected areas granted to franchisees under this Disclosure Document.


ITEM 13
TRADEMARKS

We grant you the non-exclusive right and obligation to use the Marks under your Franchise Agreement. You may also use our other current or future trademarks to operate your The Original Rainbow Cone Business, subject to our approval. By “trademark,” we mean trade names, trademarks, service marks, and logos used to identify The Original Rainbow Cone Businesses. Our affiliate Rainbow Cone LLC owns the following marks which are registered on the Principal Register of the United States Patent and Trademark Office (the “USPTO”):

Mark	Registration Date	Registration Number
	October 19, 2010; renewed January 16, 2021	3863081

Mark	Registration Date	Registration Number
	October 19, 2010; renewed January 16, 2021	3863082
	October 19, 2010; Renewed January 16, 2021	3863083
LIFE'S TOO SHORT FOR JUST ONE FLAVOR	February 20, 2024	7310287
THE ORIGINAL RAINBOW CONE	March 5, 2024	7320400

Our affiliate Rainbow Cone LLC owns the following marks and has filed applications for registration of these marks on the Principal Register of the USPTO.

Mark	Filing Date	Serial Number
	February 6, 2023	977782806

Our affiliate will file all required affidavits and renewal applications necessary to maintain these registrations.

We also claim common law rights in the word mark “Rainbow Cone” and in the following design mark:



We do not have a federal registration for these marks. Therefore, these marks do not have as many legal benefits and rights as a federally registered trademark. If our right to use these marks is challenged, you may have to change to an alternative trademark which may increase your expenses.

There is currently no pending material federal or state court litigation regarding our use or ownership rights in any of our Marks. There are no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation involving the Marks. Before you sign the Franchise Agreement, you should investigate independently whether your use of the Marks in your area might infringe on the rights of any third party, particularly in your intended area of operation.

We have been granted the right to license the Marks and System to our franchisees by a License Agreement between us and our affiliate Rainbow Cone LLC dated May 10, 2021. Our License Agreement with Rainbow Cone LLC does not materially limit our rights to use or to license our franchisees to use the Marks and System. The agreement is for an initial term of 20 years with successive 5-year automatic renewal options. The agreement includes quality control provisions for the protection of the licensor's trademark rights. The agreement may be terminated by Rainbow Cone LLC only for good cause due to a breach by us without cure, change in ownership of us of more than 20%, or our filing bankruptcy, becoming insolvent or being subject to the appointment of a receiver or trustee.

No other agreement significantly limits our right to use or license the Marks in a manner material to your The Original Rainbow Cone Business.

You must follow our rules, guidelines and requirements when using the Marks. You cannot use our name or the Marks as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent, which we may withhold in our sole discretion. You must indicate to the public in any contract, advertisement and with a conspicuous sign in your The Original Rainbow Cone Business that you are an independently owned and operated licensed franchisee of ours. You may not use the Marks in the sale of unauthorized services or products or in any manner we do not authorize. All rights and goodwill from the use of the Marks accrue to us.

We have the sole right to control use of the Marks on all websites, social media, digital marketing and mobile applications.

If it becomes necessary or advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must notify us immediately if you learn about an infringing or challenging use of the Marks. If you are in compliance with the Franchise Agreement, we will defend you against any claim brought against you

by a third party alleging that your use of the Marks in accordance with the Franchise Agreement infringes upon that party's intellectual property rights. We may require your assistance, but we will control any proceeding or litigation relating to the Marks. We have no obligation to pursue any infringing users of the Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us immediately if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving the Marks. You must not directly or indirectly contest our right to the Marks. We may acquire, develop and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

Area Development Agreement

Under the Area Development Agreement, you are not granted the right to use the Marks. All of the rights to use the Marks are derived solely by entering into a Franchise Agreement with us. Under the Area Development Agreement, you will have no right to license others to operate a business using our System or Marks.

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

We do not own any patents or patents pending that are material to The Original Rainbow Cone Business, but we claim common law copyright rights in the Manual, all advertising and marketing materials, all menus and The Original Rainbow Cone website www.rainbowcone.com and other social media. You may use the proprietary information in our Manual, so long as you follow all of the restrictions set forth in the Franchise Agreement. We have not registered a copyright for the Manual, but we claim a copyright in it and the information is proprietary. Any printed copies of the Manual must be destroyed or returned to us immediately upon the expiration or termination of your Franchise Agreement.

We also consider certain information, knowledge and know-how concerning us and the System to be trade secrets and proprietary information, including the program of accounting, identification, schemes, specifications, standards, management systems, recipes, menus, techniques, financial information (such as product costs and sources of supply), the Manual and business operations and procedures that would, if used by others, give others a substantial competitive advantage presently enjoyed by us.

You may not, without our prior written consent, disclose, use, or permit the use of any part of the Manual or the System except as may be required by law or as authorized in the Franchise Agreement. You must use your best efforts to prevent any employee from using the System and any of the Marks, or from operating a restaurant that is substantially similar to a The Original Rainbow Cone Business. There currently are no effective determinations of the United States Patent and Trademark Office, the United States Copyright Office, or a court regarding any copyrighted materials.

Except in connection with the operation of your The Original Rainbow Cone Business, you must not use any proprietary information or trade secret without our written permission. You must immediately tell us if you learn about unauthorized use of this proprietary information. We are not obligated to take any action, but we will respond to this information as we deem appropriate. We will control any litigation related to the proprietary information. We will indemnify you against losses claimed by a third party concerning your authorized use of this information. Our right to use or license these copyrighted and proprietary materials

is not materially limited by any agreement or known infringing use. There are no determinations of any administrative office or any court regarding these copyrighted and proprietary materials.

The Franchise Agreement also requires you to follow all of our security procedures, disclose our proprietary information to your employees only as needed to market our products and services, not use any proprietary information in any other business and exercise the highest degree of diligence to maintain our proprietary information as confidential.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We require that an owner of the franchisee entity owning at least 10% interest in the franchisee entity be designated as the operating owner (“Operating Owner”). The Operating Owner must be the primary operator of your The Original Rainbow Cone Business at all times and must devote full time and best efforts on a daily basis to the management and conduct of your The Original Rainbow Cone Business. In addition, the restaurant must be under the direct on-site supervision of a designated manager who has successfully completed our training program.

If you have purchased the right to open multiple The Original Rainbow Cone Businesses, you will be permitted to have multiple managers for each of your The Original Rainbow Cone Businesses. We recommend that a designated manager devote substantial full-time and best efforts on a daily basis, in person, to the supervision and conduct of a The Original Rainbow Cone Business location. Your designated manager must successfully complete our training program. Your designated manager need not have an ownership interest in the franchisee entity. If you replace a manager, the new manager must satisfactorily complete our training program.

Any manager and any officer that does not own equity in the franchisee entity, must sign a nondisclosure, non-solicitation and noncompetition Agreement in a form acceptable to us and in compliance with your local or state law. Any other of your employees, independent contractors, agents or representatives who may have access to our confidential information must sign a confidentiality agreement (unless they already signed a nondisclosure, non-solicitation and noncompetition agreement) in a form acceptable to us. If you are an entity, each owner (i.e., each person holding an ownership interest in you) and his or her spouse must sign a “Guaranty and Assumption of Franchisee’s Obligations,” the form of which is attached to the Franchise Agreement as Exhibit F.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must follow our policies, procedures, methods and techniques. You must sell or offer for sale all types of products and services specified by us. We may change or add to our required products and services at our discretion with prior notice to you. If we change or add to our required products or services, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. Your The Original Rainbow Cone Business may not offer any products or services that we have not authorized for The Original Rainbow Cone Businesses without our prior written approval, which we may withhold in our sole discretion. You must discontinue selling and offering for sale any services or products that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

If you are purchasing a Kiosk franchise, you will offer a more limited menu than the Free Standing or In-Line franchised restaurant. Once the location of the Kiosk franchise is identified, we will determine what menu items are to be offered at your Kiosk Franchise and will notify you.

If you will be operating a Food Truck under a Food Truck Amendment, the Food Truck will menu will be limited to ice cream cones, cups, quarts and pints and merchandise.

Whether you purchase a Free Standing, In-Line or Kiosk Franchise, you will offer third party delivery services (unless third party services are not currently available in your market) and catering services to your customers. We will establish guidelines and standards for delivery and catering services, including restricting the area within which these services may be offered. In addition, if you fail to maintain our then current operational standards and specifications for such services or if you are in default of your franchise agreement, we have the right to require you to cease offering the delivery and/or catering services.

You may not use your The Original Rainbow Cone Business premises for any purpose other than the operation of a The Original Rainbow Cone Business, in compliance with the Franchise Agreement. You must at all times maintain sufficient inventory, supplies and personnel to operate your The Original Rainbow Cone Business at its maximum capacity and efficiency.

You may not sell products through other channels of distribution such as wholesale, internet or mail order sales. Otherwise, except as provided in Item 12, we place no restrictions upon your ability to serve customers and we do not impose any restrictions limiting your access to customers.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the Franchise term	Section 2.1 Kiosk Addendum, Par. 3 Food Truck Amendment, Par. 5	10 years from the date of the Franchise Agreement for the Free Standing and In-Line franchises and 5 years from the date of the Franchise Agreement for the Kiosk franchise. The Food Truck Amendment expires upon the expiration of the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
b. Renewal or extension of the term	Sections 2.2-2.3	If you are in good standing and you meet defined requirements, including a renewal fee, you may add 3 additional renewal terms of 5 years.
c. Requirements for you to renew or extend	Sections 2.2-2.3	You may renew for 3 additional 5-year terms at a time if you have complied with the Franchise Agreement during the initial term; provide notice within the time limits set forth in the Franchise Agreement; execute a new Franchise Agreement in the form then in use by us (which may contain terms and conditions materially different from your original Franchise Agreement); execute a general release in a form satisfactory to us; pay us a renewal fee of \$7,500.00; update, reimage, renovate, refurbish and modernize your The Original Rainbow Cone Business to meet the then-current standards, specifications and designs of The Original Rainbow Cone Businesses; and comply with other conditions.
d. Termination by you	None.	You may not terminate the Franchise Agreement.
e. Termination by us without “cause”	Not Applicable	We must have cause to terminate the Franchise Agreement.
f. Termination by us with “cause”	Sections 16.1-16.5	We may terminate only if you default as stated in the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
g. "Cause" defined – curable defaults	<p>Sections 16.3-16.4</p> <p>Food Truck Amendment, Par. 15</p>	<p>You have 5 days to cure various defaults including failure to royalties, marketing fund contributions and other amounts owed to us; failure to timely pay for product purchases and other expenses of operating the Business; failure to submit reports or financial statements when due; failure to maintain insurance; failure to cure threats to public health or safety; and failure to cure misuse of the Marks.</p> <p>You have 30 days to cure a default under the Franchise Agreement that is not otherwise curable in only 5 days or not curable including your failure to follow the Systems, Manual and the terms of the Franchise Agreement, including failure to complete your The Original Rainbow Cone Business renovation.</p> <p>We may terminate your right to operate your Food Truck if you violate any term of the amendment or any mandatory Food Truck standards, specifications or operating procedures and fail to cure within 30 days after notice or if you are in default under the Franchise Agreement and fail to cure under the applicable cure period. Termination of your Franchise Agreement terminates all rights to operate the Food Truck.</p>
h. "Cause" defined - non-curable defaults	Section 16.2	<p>Non-curable defaults include (i) failure to obtain approval of a site by us within 6 months of executing your Franchise Agreement or (ii) failure to open your The Original Rainbow Cone Business within deadlines for opening in Franchise Agreement; failing to operate your The Original Rainbow Cone Business for a period of 48 hours or otherwise abandoning the Business or losing the right to possession of the premises of your The Original Rainbow Cone Business; criminal conviction; physical or verbal abuse of our employees or other franchisees; unauthorized transfer of franchisee or Business; violation of noncompetition and nondisclosure agreements; unauthorized disclosure of</p>

Provision	Section in Franchise Agreement	Summary
	Food Truck Amendment, Par. 7	<p>proprietary or confidential information; failure to transfer after death or incapacity; maintaining false books; your or your affiliates commits any act of default under any agreement with us or our affiliates; more than one material default within any 12 months; sale of unapproved products or services; relocation without our consent; denies us access for an inspection of the Business; termination or expiration of lease; failure to timely pay loan guaranteed or provided by us; failure to timely pay suppliers or landlord more than 3 times; material misrepresentation in the purchase of the Franchise; receipt of 3 or more default notices during the term; and bankruptcy.</p> <p>Your rights to operate the food truck can be terminated if you operate the Food Truck outside your Protected Area without our consent. Your franchise agreement can be terminated if you operate your food truck in the Protected Area of another franchisee.</p>
i. Your obligations on termination/non-renewal	<p>Section 17.1-17.5</p> <p>Food Truck Amendment, Par. 16</p>	<p>Obligations include complete de-identification and payment of amounts due, including a lump sum amount equal to the net present value of any royalties and other fees that would have become due following termination of the Franchise Agreement for the period the Franchise Agreement would have remained in effect but for your default and termination. The lump sum due for purposes of this determination will be calculated based on the average fees paid for the 12 months preceding the termination date of your The Original Rainbow Cone Business. (See also r. below)</p> <p>You must cease operating your Food Truck, remove the truck wrapper and de-identify the Food Truck.</p>
j. Assignment of contract by us	Section 15.1	No restrictions on our right to assign.

Provision	Section in Franchise Agreement	Summary
k. "Transfer" by you – defined	Section 15.2	Includes assignment and transfer of Franchise Agreement, assets or ownership of entity. You must transfer equipment and an ongoing business operation. You may not merely transfer the rights contained in your Franchise Agreement without our express written permission, which may be granted or denied at our discretion.
l. Our approval of transfer by you	Section 15.2	We have the right to approve all transfers of your Franchise Agreement and your The Original Rainbow Cone Businesses combined in accordance with the terms and conditions set out in the Franchise Agreement, but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Sections 15.3	Potential transfer will be approved if the new franchisee qualifies, the applicable transfer fee is paid, the transfer agreement is approved, training is completed, you sign a general release, transferee signs a then-current franchise agreement, your The Original Rainbow Cone Business renovated within six months after your execution of the then-current franchise agreement, and the transferee's principals execute guaranties, as applicable. (See also r. below.)
n. Our right of first refusal to acquire your business	Section 15.9	We can match any offer for all or any part of your The Original Rainbow Cone Businesses.
o. Our option to purchase your business	Section 17.2 Food Truck Amendment, Par. 16	Upon expiration or termination, we have the right to purchase improvements, supplies, products, inventory, equipment, signs and accessories, and your food truck, if you have one.
p. Death or mental incapacity of you	Section 15.6	Personal representative appointed or Franchise must be assigned to approved buyer within 12 months after event.

Provision	Section in Franchise Agreement	Summary
q. Non-competition and Non-Solicitation covenants during the term of the franchise	Section 14.2	No involvement in Competitive Business anywhere and no diversion. No solicitation of our or our franchisees' employees.
r. Non-competition covenants after the franchise is terminated or expires	Section 14.3	No involvement in Competitive Business for two years within 10 miles the site of any The Original Rainbow Cone Business, whether or not formerly owned by you, except as stated in the State Addenda in Exhibit J to this Franchise Disclosure Document. No solicitation of our or our franchisees' employees for two years.
s. Modification of agreement	Section 25.1	No modifications generally without mutual consent, but the Manual is subject to change.
t. Integration/merger clause	Section 23.1	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). However, nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration	Sections 24.1 – 24.5	Arbitration in Illinois. Litigation, if permitted, in Illinois (subject to state law).
v. Choice of forum	Section 24.5	Illinois (subject to state law).
w. Choice of law	Section 24.5	Illinois (subject to state law).

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This table lists certain important provisions of the Area Development Agreement. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in ADA	Summary
a. Length of term of the agreement	Section 4	Agreement expires on our acceptance and execution of the Franchise Agreement for the last franchise to be developed.
b. Renewal or extension of the term	Not applicable	Not applicable
c. Requirements for you to renew or extend	Not applicable	Not applicable
d. Termination by you	Not applicable	Not applicable
e. Termination by us without cause	Not applicable	Not applicable
f. Termination by us with cause	Section 7	We can terminate if you commit a listed violation.
g. "Cause" defined - defaults which can be cured	Section 7	Not applicable
h. "Cause" defined - defaults which cannot be cured	Section 7	Bankruptcy or similar proceeding, failure to comply with development schedule, breach of the agreement, unauthorized transfer, breach of any Franchise Agreement.
i. Your obligations on termination/non-renewal	Section 7.4	No further right to develop; however, termination does not affect existing franchise agreements.
j. Assignment of contract by us.	Section 8.1	We have an unrestricted right to assign.
k. "Transfer" by you – definition	Section 8.2	Include transfer of any interest in the ADA or in the Developer.
l. Our approval of transfer by you	Section 8.2	You have no right to transfer any interest in the ADA or Developer. Any attempted transfer will be null and void.
m. Conditions for our approval of transfer	Not applicable	Not applicable
n. Our right of first refusal to acquire your business	Not applicable	Not applicable
o. Our option to purchase your business	Not applicable	Not applicable
p. Your death or disability	Not applicable	Not applicable

Provision	Section in ADA	Summary
q. Non-competition covenants during the term of the agreement	Section 6.4	No involvement in a similar business or with a business granting franchises for similar businesses; subject to applicable state law.
r. Non-competition covenants after the agreement is terminated or expires	Section 9	For 2 years after termination or expiration of the ADA you will not have any interest in a similar business with the Development Area or within 10 miles of any existing The Original Rainbow Cone Business except under a Franchise Agreement with us. For 2 years, you will not divert customers to competitive businesses or employ any of our or our affiliates' employees, subject to applicable state law.
s. Modification of the Agreement	Section 13.4	No modifications unless in writing and signed.
t. Integration/merger clause	Section 13.4	Only the terms of the ADA are binding (subject to state law). Any representations or promises outside of the disclosure document and may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 12	Except for certain claims, mandatory mediation before initiating an arbitration proceeding; subject to applicable state law.
v. Choice of forum	Section 12.4	Arbitration must be in the Chicago, Illinois metropolitan area. Litigation must be in any state court of general jurisdiction or a federal court in Illinois (subject to state law).
w. Choice of law	Section 12.4	Except for applicable federal law, Illinois law applies (subject to state law).

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise 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 by this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

STATEMENT OF HISTORICAL RESULTS FOR
15 AFFILIATE-OWNED UNITS

Types and Numbers of Outlets

The data provided for this statement of historical results is based on the financial performance of 15 affiliate-owned The Original Rainbow Cone businesses of the types listed below.

We have not included data of any franchised units in this statement since the 3 franchised units that were in operation as of the reporting periods used herein of December 31, 2023 and June 16, 2024 had not been in operation for a full 12 months as of those dates.

Free Standing

- 2 affiliate-owned Free Standing The Original Rainbow Cone Businesses – for the period January 2, 2023 through December 31, 2023
- 1 affiliate-owned Free Standing The Original Rainbow Cone Business – for the period June 19, 2023 through June 16, 2024 (end of period 6 of the affiliate’s 13 period fiscal calendar)

2 affiliate-owned Free Standing The Original Rainbow Cone Businesses in operation as of June 16, 2024 were excluded from the data presented in the statement since they had been in operation for less than 12 months as of June 16, 2024.

Kiosks

- 1 stand-alone seasonal Kiosk
- 5 In-store Kiosks located within a Buona Beef Restaurant – for the period January 2, 2023 through December 31, 2023
- 1 In-store Kiosk located within a Buona Beef Restaurant – for the period June 19, 2023 through June 16, 2024 (end of period 6 of the affiliate’s 13 period fiscal calendar)
- 2 seasonal outdoor Kiosk associated with Buona Beef Restaurants

3 affiliate-owned In-store The Original Rainbow Cone Kiosks in operation as of June 16 2024 were excluded from the data presented in this statement since they had been in operation for less than 12 months as of June 16, 2024.

Food Trucks

- 3 seasonally operated Food Trucks

3 The Original Rainbow Cone Food Trucks operated by our affiliate were excluded as they were only used for our affiliate’s catering operations which is outside the franchise offerings provided in this Franchise Disclosure Document.

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Definitions:

The terms used in the tables below are defined for purposes of this Item 19 statement of financial performance representation as follows:

- (1) “Gross Sales” are defined as the total revenue received from the sale of goods and services, whether by cash or by check or credit card, less sales tax.
- (2) “Food Cost” includes costs of food and beverage items.
- (3) “Packaging Cost” includes paper and plastic product expenses.
- (4) “Retail Cost” includes T-Shirts, hats, and bags.
- (5) “Gross Profit” is Gross Sales less Food, Packaging, and Retail Costs.
- (6) “Salaries and Wages” include wages paid to restaurant managers and crew. Salaried Manager wages range from \$50,000/year to \$65,000/year. Crew wages range from \$13.00/hour to \$22.00/hour.
- (7) “Employee Benefits” includes Payroll Taxes, Workers Compensation contributions, and Health, Dental, and Vision Insurance.
- (8) “Direct Operating Expenses” include in-store marketing, signage, uniforms, telephone, internet, permits, door and fire alarm monitoring, music, pest control, and miscellaneous expenses.
- (9) “Supplies & Chemicals” include supplies and chemicals used at the Restaurants.
- (10) “Utilities” includes electricity, gas, water and sewer, and garbage collection.
- (11) “General & Administrative” include bank charges, credit card fees, office supplies, postage, payroll service, team recruitment, liability insurance, and dues and subscriptions.
- (12) “Repairs & Maintenance” include repairs and maintenance expenses actually incurred.
- (13) “Sales Incentives” include commissions paid to third party delivery services, POS discounts related to the loyalty program, and POS discounts related to guest satisfaction/resolutions.
- (14) “Technology Fee” represents the \$75 per week technology fee that a Franchised Restaurant currently must pay us under the Franchise Agreement.
- (15) “Local Advertising” represents the minimum percentage of gross sales (2.0%) that a Franchised Restaurant must spend on local advertising expenses under the Franchise Agreement.
- (16) “Brand Marketing Fund” represents the maximum percentage of gross sales (3.0%) that a Franchised Restaurant may be required to pay to the Brand Marketing Fund under the Franchise Agreement.
- (17) “Royalty” represents the percentage of gross sales (6.0%) that a Franchised Restaurant would pay to us as a royalty under the Franchise Agreement.
- (18) “Income” is Sales less the expenses listed above the Income line. Income as used herein is before deductions for Rent, Real Estate Taxes, Personal Property Taxes, Interest Costs, Depreciation and Amortization or Income Tax. The statements shown in the tables DO NOT include the following expense items, which must be calculated and included separately for every Restaurant:

- Actual Local Advertising, including promotional discounts done at the POS.
- Depreciation of property and equipment.
- Rent, interest or other financing cost for land, buildings, equipment and inventory.
- Initial franchise fee and organization costs.
- Any management fees.
- Income taxes and property taxes.
- Other Employee benefits, such as bonus incentives, meal discounts, other team member compensation.
- Other expenses, such as furniture and equipment, technology software and equipment, meeting expense, cash over/short, credit card chargebacks, armored car, and window washing services.

**STATEMENT OF HISTORICAL RESULTS FOR
3 FREE STANDING AFFILIATE-OWNED UNITS**

Free Standing Units

The first 3 affiliate-owned The Original Rainbow Cone units presented in this statement are free standing locations. You should only rely on the data presented for the first 3 affiliate-owned units if you are purchasing a Free Standing Franchise, and should not rely on the data presented for the first 3 affiliated-owned units if you are purchasing an In-Line Franchise, a Kiosk Franchise or a Food Truck.

FREE STANDING UNIT #1

The first location is the original business that was established in 1926 and has been in operation at the same location in the city of Chicago for 97 years. The statement below covers the fiscal year January 3, 2022 through January 1, 2023.

This unit does not have a drive through window.

The source of this information is the profit and loss statement of the affiliated company owning this unit prepared internally in the ordinary course of business. The profit and loss statements have not been audited.

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**AFFILIATE-OWNED FREE STANDING UNIT WITHOUT DRIVE THROUGH
JANUARY 2, 2023 THROUGH DECEMBER 31, 2023**

Free Standing Affiliate-Owned Unit #1	Actual Amount	Actual %
Gross Sales (1)	\$1,218,752	100.0%
Food Cost (2)	217,522	17.8%
Packaging Cost (3)	39,740	3.3%
Retail Cost (4)	1,758	0.1%
Gross Profit (5)	959,732	78.7%
Salaries & Wages (6)	278,351	22.8%
Employee Benefits (7)	40,590	3.3%
Direct Operating Expenses (8)	12,711	1.0%
Supplies & Chemicals (9)	6,228	0.5%
Utilities (10)	26,940	2.2%
General & Administrative (11)	54,222	4.4%
Repairs & Maintenance (12)	21,507	1.8%
Sales Incentives (13)	12,581	1.0%
Tech Fee (14)	3,900	0.3%
Local Advertising (15)	24,375	2.0%
Brand Marketing Fund (16)	36,563	3.0%
Royalty (17)	73,125	6.0%
Income (18)	\$368,639	30.2%

See Explanatory Notes below.

FREE STANDING UNIT #2

The second free standing location opened in May 2021. It is located in a suburb of Chicago. The statement below covers the fiscal year January 2, 2023 through December 31, 2023.

This location has a drive through window.

The source of this information is the profit and loss statement of the affiliated company owning this unit prepared internally in the ordinary course of business. The profit and loss statements have not been audited.

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**AFFILIATE-OWNED FREE STANDING UNIT WITH DRIVE THROUGH
JANUARY 2, 2023 THROUGH DECEMBER 31, 2023**

Free Standing Affiliate-Owned Unit #2	Actual	
	Amount	Actual %
Gross Sales (1)	\$1,389,974	100.0%
Food Cost (2)	243,305	17.5%
Packaging Cost (3)	46,917	3.4%
Retail Cost (4)	3,623	0.3%
Gross Profit (5)	1,096,129	78.9%
Salaries & Wages (6)	358,365	25.8%
Employee Benefits (7)	48,655	3.5%
Direct Operating Expenses (8)	16,192	1.2%
Supplies & Chemicals (9)	15,437	1.1%
Utilities (10)	60,760	4.4%
General & Administrative (11)	64,086	4.6%
Repairs & Maintenance (12)	35,104	2.5%
Sales Incentives (13)	10,643	0.8%
Tech Fee (14)	3,900	0.3%
Local Advertising (15)	27,799	2.0%
Brand Marketing Fund (16)	41,699	3.0%
Royalty (17)	83,398	6.0%
Income (18)	\$330,090	23.7%

See Explanatory Notes below.

FREE STANDING UNIT #3

The third free standing location opened in May 2023. It is located in a suburb of Chicago. The statement below covers the reporting periods from June 19, 2023 through June 16, 2024.

This location has a drive through window.

The source of this information is the profit and loss statement of the affiliated company owning this unit prepared internally in the ordinary course of business. The profit and loss statements have not been audited.

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**AFFILIATE-OWNED FREE STANDING UNIT WITH DRIVE THROUGH
JUNE 19, 2023 THROUGH JUNE 16, 2024**

Free Standing Affiliate- Owned Unit #3	Actual Amount	Actual %
Gross Sales (1)	1,933,057	100.0%
Food Cost (2)	347,212	18.0%
Packaging Cost (3)	66,354	3.4%
Retail Cost (4)	343	0.0%
Gross Profit (5)	1,519,148	78.6%
Salaries & Wages (6)	438,004	22.7%
Employee Benefits (7)	58,548	3.0%
Direct Operating Expenses (8)	15,608	0.8%
Supplies & Chemicals (9)	16,554	0.9%
Utilities (10)	52,494	2.7%
General & Administrative (11)	72,970	3.8%
Repairs & Maintenance (12)	25,427	1.3%
Sales Incentives (13)	13,195	0.7%
Tech Fee (14)	3,900	0.2%
Local Advertising (15)	38,661	2.0%
Brand Marketing Fund (16)	57,992	3.0%
Royalty (17)	115,983	6.0%
Income (18)	609,812	31.5%

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STATEMENT OF HISTORICAL RESULTS FOR
9 AFFILIATE-OWNED KIOSKS

KIOSK UNIT #1 – Stand Alone Seasonal Kiosk

The data below for Kiosk Unit #1 is a stand-alone kiosk located in a tourist/entertainment venue in Chicago with a more limited menu. This location was first established in 2016. This location has always been seasonal and not open during the winter months. The statement covers the fiscal year January 3, 2022 through January 1, 2023; however, the kiosk was only open from May 2023 to September 2023 during that period.

The source of this information was the profit and loss statements of the affiliated company owning this unit prepared internally in the ordinary course of business. The profit and loss statements have not been audited.

SEASONAL STAND ALONE KIOSK IN CAPTIVE LOCATION
JANUARY 2, 2023 THROUGH DECEMBER 31, 2023 (SEASONAL)

Stand Alone Seasonal Kiosk	Actual Amount	Actual %
Gross Sales (1)	\$395,614	100.0%
Food Cost (2)	40,183	10.2%
Packaging Cost (3)	6,505	1.6%
Retail Cost (4)	0	0.0%
Gross Profit (5)	348,926	88.2%
Salaries & Wages (6)	57,578	14.6%
Employee Benefits (7)	8,420	2.1%
Direct Operating Expenses (8)	2,450	0.6%
Supplies & Chemicals (9)	2,583	0.7%
Utilities (10)	0	0.0%
General & Administrative (11)	20,028	5.1%
Repairs & Maintenance (12)	6,063	1.5%
Sales Incentives (13)	8	0.0%
Tech Fee (14)	3,900	1.0%
Local Advertising (15)	7,912	2.0%
Brand Marketing Fund (16)	11,868	3.0%
Royalty (17)	23,737	6.0%
Income (18)	\$204,378	51.7%

See Explanatory Notes below.

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KIOSK UNITS #2 THROUGH #7 (NOT SEASONAL)

Kiosk units #2 through #7 are located inside a restaurant, specifically Buona Beef restaurants owned by one of our affiliates. This statement covers the period March 27, 2023 through March 24 2024 for units #2 through 6 and the period June 19, 2023 through June 16, 2024 for unit #7 (so that we could include the most recently opened Kiosk that completed its first year of operation in June 2024).

For units #2 through #6, the length of time the units have been in operation as of March 2024 ranges from 16 years to 1 year. The length of time unit #7 has been in operation as of June 2024 is 1 year.

Since these particular businesses operate as one unit within the Buona Beef restaurant from an accounting standpoint, we are only presenting Gross Sales information for these units. The source of the information is the unit’s point-of-sale system which segregates sales for products and services offered by The Original Rainbow Cone portion of the business. This information has not been audited.

KIOSKS LOCATED WITHIN A BUONA RESTAURANT

Kiosk Units inside a Buona Beef Restaurant	Actual Gross Sales	Reporting Period
Kiosk Unit #2	\$416,429	March 2023 – March 2024
Kiosk Unit #3	\$140,155	March 2023 – March 2024
Kiosk Unit #4	\$181,149	March 2023 – March 2024
Kiosk Unit #5	\$176,491	March 2023 - March 2024
Kiosk Unit #6	\$441,328	March 2023 – March 2024
Kiosk Unit #7	\$261,486	June 2023 – June 2024

See Explanatory Notes below.

KIOSK UNITS #8 AND #9 (SEASONAL)

Kiosk units #8 through #9 are located next to Buona Beef restaurant owned by one of our affiliates. This statement covers the period January 2, 2023 through December 31, 2023. However, the Kiosks are located outside the restaurant and operate on a seasonal basis. These two kiosks were open from May to September in 2023.

One of the Kiosks opened in May 2022 and the other one opened in May 2023 (the beginning of the season).

Since these particular businesses operate as one unit within the Buona Beef restaurant from an accounting standpoint, we are only presenting Gross Sales information for these units. The source of the information is the unit’s point-of-sale system which segregates sales for products and services offered by The Original Rainbow Cone portion of the business. This information has not been audited.

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**OUTDOOR SEASONAL KIOSKS LOCATED NEXT TO A BUONA RESTAURANT
JANUARY 1, 2023 THROUGH DECEMBER 31, 2023**

	Actual Gross Sales
Seasonal Outdoor Kiosk Next to a Buona Beef Restaurant	
Kiosk Unit #8	\$103,035
Kiosk Unit #9	\$147,518

See Explanatory Notes below.

**STATEMENT OF HISTORICAL RESULTS FOR
3 AFFILIATE-OWNED FOOD TRUCKS**

FOOD TRUCKS UNITS #1 THROUGH #3

Two of the food trucks included in the statement were stationery at their locations and one truck went to different locations (i.e., festivals and events) during the season. All 3 were available for walk up sales.

This statement covers the period January 1, 2023 through December 31, 2023; however, the Food Trucks were only in operation from May 2023 to September 2023 during that period.

The Food Trucks included in this statement opened in July 2020, May 2021 and May 2021, respectively.

The source of the data are the point-of-sale systems within each Food Truck that records the sales for that Food Truck only. This information has not been audited.

**AFFILIATE-OWNED FOOD TRUCKS FOR THE YEAR
JANUARY 2, 2023 THROUGH DECEMBER 31, 2023**

	Actual Gross Sales
Seasonal Food Trucks	
Food Truck #1	\$337,147
Food Truck #2	\$154,597
Food Truck #3	\$177,875

The above data reflects the operation of specific affiliate-owned units of differing types as described above, and should not be considered as the actual or probable results that will be realized by any given franchise.

Some outlets have sold this much. Your individual results may differ. There is no assurance that you'll sell as much.

Explanatory Notes:

The following should be considered in reviewing and determining whether to rely on these figures.

1) Characteristics of the 15 units in this statement that may differ materially from those of any franchised outlets being offered under this Franchise Disclosure Document include:

- The 15 units included in this Statement are located in a market where there has been recognition of The Original Rainbow Cone brand for over 90 years. Franchisees establishing a unit in a new market without brand recognition may not perform as well, especially in the initial phase of the new business. In addition, the Kiosks included are all located within Buona Beef Restaurants which also has had brand recognition for decades.
- Food and product costs for all existing affiliate-owned units have been negotiated by our affiliates with manufacturers and distributors on a consolidated basis and have the benefit of volume costs for units all located within one region. New franchisees in new markets may not have the volume to negotiate favorable prices with manufacturers and distributors serving the franchisee's region which would result in higher costs for these products.
- Climate of the location of the unit.
- For a Kiosk in a captive location, the type of captive location and amount of traffic through the location.
- For a Kiosk located within a restaurant or other retail location, the length of time the host facility has been in operation and the type of food or services offered by the host.
- Affiliate-owned units do not pay fees paid to the franchisor by franchisees, including royalties, brand marketing fund contributions and technology fees. However, as noted in the first 3 tables above, we have imputed the fees that a franchisee would be required to pay.

2) The Original Rainbow Cone Businesses operated by our affiliates which are included in the above statement have offered substantially the same products and services that will be offered by new franchise units. Other than as described in Note 1) above, the operations of the affiliate-owned units included in the above statement do not differ materially from those of a new franchise unit.

3) This financial performance representation does not reflect all costs or expenses that must be deducted from the Gross Sales figures to obtain a net income or profit number resulting from the operation of The Original Rainbow Cone Franchise. Net profits in the operation of The Original Rainbow Cone Businesses will vary from franchisee to franchisee and from location to location and are dependent upon numerous factors beyond our control.

4) Factors which may cause the annual gross sales of The Original Rainbow Cone Businesses to vary include but are not necessarily limited to the following:

- * Management, business, and marketing experience of the owners and managers
- * Personality and attitude of the manager and the employees in dealing with customers
- * Quality of customer service
- * Quality of products prepared by unit
- * Prices charged to customers
- * Location, visibility and accessibility of the unit
- * Square footage of the restaurant premises
- * Demographic factors, including population density and household income
- * Local competition
- * Economic conditions

- * Food trends
- * Marketing and promotional efforts
- * Length of time in operation
- * Weather
- * Prevailing labor rates and applicable state employment laws

5) Cost of food, beverages, and labor costs will vary from business to business. Factors which may cause material differences in these costs include but are not necessarily limited to the following:

- * Chosen supplier or distributor of products and pricing
- * Shipping costs
- * Local prevailing wage rates, including local minimum wage
- * Availability of labor

You should carefully consider the above Explanatory Notes below and other factors in evaluating this information and in making any decision to purchase a franchise.

You should make your own independent investigation on the possible revenue, costs and profit potential of the franchise business. You should seek the advice of appropriate financial, business and legal advisors in connection with the use of the information contained in this financial performance representation and in considering what your experience may be in operating a The Original Rainbow Cone business.

Written substantiation for this statement will be made available to prospective franchisees on reasonable request.

Other than the above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Joseph Buonavolanto, Jr. at 6801 Roosevelt Road, Berwyn, IL 60402, (708) 948-0557, the Federal Trade Commission and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Years 2021 – 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	2	+2
Affiliate-Owned	2021	2	4	+2
	2022	4	8	+4
	2023	8	14	+6
Total Outlets	2021	2	4	+2
	2022	4	8	+4
	2023	8	16	+8

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)
For Years 2021 – 2023

State	Year	Number of Transfers
Total	2021	0
	2022	0
	2023	0

Table No. 3
Status of Franchised Outlets
For Years 2021 – 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Florida	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Illinois	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2

Table No. 4
Status of Affiliate-Owned Outlets – Free Standing and Kiosk Locations
For Years 2021 – 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Illinois	2021	2	2	0	0	0	4
	2022	4	4	0	0	0	8
	2023	8	5	0	0	0	13
Indiana	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
Total Outlets	2021	2	2	0	0	0	4
	2022	4	4	0	0	0	8
	2023	8	6	0	0	0	14

Notes:

1. 3 affiliated owned outlets are seasonal locations that are not open all year.
2. 9 of the affiliate-owned outlets are located within a Buona Restaurant owned by an affiliate.
3. The Original Rainbow Cone Food Trucks operated by our affiliate are shown in the table below.

Table No. 4

Status of Affiliate-Owned Outlets – Food Truck
For Years 2021 – 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Illinois	2021	1	3	0	0	0	4
	2022	4	0	1	1	0	3
	2023	3	0	0	0	0	3
Total Outlets	2021	1	3	0	0	0	4
	2022	4	0	0	1	0	3
	2023	3	0	0	0	0	3

Table No. 5
Projected Openings as of
January 1, 2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	1	1	0
Florida	4	2	0
Illinois	0	0	2
Indiana	0	1	0
Michigan	0	3	0
Nevada	0	1	0
Tennessee	1	0	0
Texas	2	1	0
Total	8	9	0

A list of the names, addresses and telephone numbers of our franchisees as of December 31, 2023 is attached to this Franchise Disclosure Document as Exhibit H. There were no franchisees that have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the last calendar year ending December 31, 2023, or who has not communicated with us within 10 weeks of the date of this Franchise Disclosure Document. If you buy this Franchise, your contact information may be disclosed to other potential buyers when you leave the System. You may also be required to sign a confidentiality agreement or provision with us that would restrict your ability to speak openly about your experience with the System.

As noted on the franchisee list, we currently have 7 Developers, including Developers who have signed an Area Development Agreement with us and our affiliate for a Dual Brand Business.

As of the Issuance Date of this Franchise Disclosure Document, there is no (i) trademark-specific franchisee organization associated with the System being offered that we have created, sponsored or endorsed or (ii) independent franchisee organizations that have asked to be included in this Franchise Disclosure Document.

We have no current or former franchisees who have signed agreements restricting their ability to speak about their experience with us or the System.

ITEM 21 **FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document as Exhibit E are our audited financial statements for the fiscal years ending December 31, 2023, and January 1, 2023 and for the fiscal years ending January 1, 2023 and January 2, 2022. Our fiscal year ends on the Sunday nearest to December 31 each year.

ITEM 22 **CONTRACTS**

The following agreements regarding the offering of a Franchise are attached as exhibits to this Franchise Disclosure Document.

1. Franchise Agreement (Exhibit B)
2. Addendum to the Franchise Agreement for Kiosk (Exhibit C)

If you are a Developer, you will sign the Area Development Agreement at Exhibit D to this Franchise Disclosure Document.

In order to operate a Food Truck in conjunction with your Free Standing or In-Line franchise, you must sign the Food Truck Amendment to Franchise Agreement that is at Exhibit I to this Franchise Disclosure Document.

You must complete and sign the Exhibit F Franchisee Acknowledgement Questionnaire before you sign the Franchise Agreement. 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.

ITEM 23 **RECEIPTS**

The last pages of this Franchise Disclosure Document, Exhibit L, is a Receipt in duplicate. Please detach, sign, date and return the second copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the first copy for your records.

EXHIBIT A
LIST OF STATE AGENCIES/
AGENTS FOR SERVICE OF PROCESS

<p><u>CALIFORNIA</u> Commissioner Department of Financial Protection and Innovation 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677</p> <p><u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722 <u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> <p><u>INDIANA</u> Secretary of State Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><u>MARYLAND</u> Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360 <u>Agent for Service of Process:</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020</p> <p><u>MICHIGAN</u> Franchise Administrator Consumer Protection Division Franchise Section G. Mennen Williams Building, 1st Floor 525 West Ottawa Street P.O. Box 30212 Lansing, MI 48913 (517) 373-7117</p> <p><u>MINNESOTA</u> Department of Commerce Commissioner of Commerce 85 Seventh Place East, Ste. 280 St. Paul, MN 55101-3165 (651) 296-4026</p> <p><u>NEW YORK</u> Administrator: Office of the New York State Attorney General Investor Protection Bureau Franchise Section 28 Liberty St., 21st Floor New York, NY 10005-1495 (212) 416-8285</p> <p>Agent for Service: New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518)-473-2492</p> <p><u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510 (701) 328-4712</p>	<p><u>RHODE ISLAND</u> Department of Franchise Regulation 1511 Pontiac Avenue John O. Pastore Complex Bldg. 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p> <p><u>SOUTH DAKOTA</u> Department of Labor and Regulation, Division of Securities 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823</p> <p><u>VIRGINIA</u> State Corporation Commission, Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804)371-9051 <u>Agent for Service of Process:</u> Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219</p> <p><u>WASHINGTON</u> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p><u>WISCONSIN</u> Department of Financial Institutions Division of Securities 201 West Washington Avenue Suite 300 Madison, WI 53703 (608) 266-8557</p>
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EXHIBIT B
FRANCHISE AGREEMENT



**THE ORIGINAL RAINBOW CONE
FRANCHISE AGREEMENT**

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EXHIBIT F:	SECURITY AGREEMENT

THE ORIGINAL RAINBOW CONE FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made by and between Five Flavors Franchising LLC, an Illinois limited liability company, having its principal place of business at 6801 Roosevelt Road, Berwyn, Illinois 60402 (“**Franchisor**”) and the franchisee named on the signature page of this Agreement (“**Franchisee**”).

WITNESSETH

WHEREAS, Franchisor and its affiliates have developed and own a unique system (the “**System**”) for operating and granting others the right to own and operate businesses (a “**The Original Rainbow Cone Business**” or “**The Original Rainbow Cone Businesses**”) which serve ice cream to the general public, with a menu featuring a variety of high quality ice cream cones, ice cream cakes, sundaes and shakes, packaged ice cream, mini-donuts and related products in a casual ice cream shop environment.

WHEREAS, the distinguishing characteristics of the System include, without limitation, the name “The Original Rainbow Cone,” specially designed buildings, distinctive interior and exterior layouts, decor, color schemes, and furnishings, confidential ice cream formula, recipes and preparation methods, specialized menus, standards and specifications for furniture, fixtures and equipment, business design and layouts, operating procedures, and management programs, all of which may be changed, improved, and further developed by Franchisor from time to time;

WHEREAS, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and other indicia of origin, including but not limited to the mark “The Original Rainbow Cone” and such other trade names, service marks, trademarks and trade dress as are now, or may hereafter, be designated by Franchisor for use in connection with the System (collectively, the “**Marks**”);

WHEREAS, Franchisor continues to develop, use, and control the use of such Marks to identify to the public the source of services and products marketed hereunder in the System and to represent the System’s high standards of quality, appearance, and service;

WHEREAS, Franchisor offers to qualified candidates the grant of a franchise to operate a The Original Rainbow Cone Business under one of 3 formats: (1) the traditional, free-standing restaurant location (“Free Standing”), (2) the restaurant in an inline location (“In-Line”), and (3) the non-traditional unit located within another restaurant or retail business or in a captive location (“Kiosk”). The Free Standing, In-Line and Kiosk or any of them are referred to in this Franchise Disclosure Document as the “The Original Rainbow Cone Business” or “The Original Rainbow Cone Businesses” or “Franchised Business” or “Franchised Businesses”).

WHEREAS, Franchisee wishes to be assisted, trained, and licensed by Franchisor as a The Original Rainbow Cone franchisee and licensed to use the System in connection therewith; and

WHEREAS, Franchisee understands the importance of the System and The Original Rainbow Cone’s high and uniform standards of quality, cleanliness, appearance, and service, and the necessity of opening and operating The Original Rainbow Cone Businesses in conformity with the System.

NOW, THEREFORE, the parties hereto agree as follows:

I. APPOINTMENT

1.1 Grant of Franchise. For the Term (as defined in Section 2.1), Franchisor grants to Franchisee, and Franchisee accepts from Franchisor, a non-exclusive license to operate one The Original Rainbow Cone Business (the “Franchised Business”), and Franchisee accepts the obligation to operate the Franchised Business during the Term, in the following general area: _____ . Upon approval of Franchisee’s location by Franchisor, Franchisor and Franchisee execute Exhibit A attached hereto, which will identify the Approved Location.

1.2 Operation of the Franchised Business. Franchisee shall operate the Franchised Business, and use the Marks and the System in connection with the Franchised Business, as the Marks and the System may be modified, improved and developed by Franchisor from time to time, only in accordance with the terms and conditions of this Agreement. Franchisee shall use its best efforts to develop and promote the Franchised Business. All The Original Rainbow Cone products must be sold by Franchisee only from the Approved Location. Franchisee may not use other channels of distribution such as the internet, catalog sales, telemarketing or other direct marketing to make sales outside of and apart from the operation of the Franchised Business at the Approved Location without Franchisor’s prior written consent, which may be withheld by Franchisor in its sole discretion.

1.3 Protected Area. Subject to the terms and conditions of this Agreement and provided Franchisee or any of its affiliated companies is not otherwise in default of this Agreement or in default of any other agreement with Franchisor or with a parent, subsidiary or affiliate of Franchisor (“Affiliates”), Franchisor shall not establish, nor grant another the right to establish a The Original Rainbow Cone Business, during the Term, within the area described in Exhibit A of this Agreement (the “Protected Area”), without Franchisee’s prior written consent. If you are purchasing a Free Standing or In-line Franchise, the Protected Area will be a geographic area around the Approved Location with a minimum people population of Forty Thousand (40,000) if the Approved Location is in a non-urban location and a one-half (1/2) mile radius around the Approved Location if it is located in an urban area. Upon the determination of the Approved Location, Franchisor and Franchisee shall complete and execute Exhibit A with a description of the Protected Area. If you are purchasing a Kiosk Franchise, you will not be granted a Protected Area.

1.4 Limitations to Protected Area. The provisions of Section 1.3 shall not apply if the Franchised Business is operated in any of the following types of locations and/or with respect to such locations within the Protected Area (“Captive Locations”), at which Franchisor retains the right, in its sole discretion, to franchise and/or operate The Original Rainbow Cone Businesses, including a Kiosk Franchise, and to distribute by any means The Original Rainbow Cone products:

- (a) Transportation facilities (including but not limited to airports, train stations, bus stations, etc.);
- (b) Educational facilities (including but not limited to colleges and universities)
- (c) Institutional feeding facilities (including but not limited to airports, hospitals, hotels, and corporate or school cafeterias);
- (d) Government institutions and facilities such as military bases;
- (e) Enclosed shopping malls;

- (f) Entertainment venues, including casinos;
- (g) Sports stadiums; and
- (h) Amusement and/or theme parks.

1.5 Reservation of Rights. Except as otherwise set forth herein, (a) the franchise granted to Franchisee under this Agreement is non-exclusive, and Franchisor grants to Franchisee the rights to establish and operate the Franchised Business at only the specific Approved Location, (b) no other exclusive, protected or other territorial rights related to the Franchised Business or otherwise is to be inferred and (c) Franchisor and/or its Affiliates have the right to operate and grant as many other franchises for the operation of The Original Rainbow Cone Businesses other than within the Protected Area, anywhere in the world, as they shall, in their sole discretion, elect. Franchisor and its Affiliates retain the rights, among others, within or outside of the Protected Area, without any compensation to Franchisee, to:

(a) distribute products and services which comprise, may in the future comprise or which do not comprise, a part of the System through any alternative distribution channels including, but not limited to, supermarkets and other retail facilities, wholesale sale, catalogs, direct marketing, the Internet or similar electronic media, using the Marks and other trademarks or service marks (“Alternate Distribution Channels”);

(b) establish businesses which are franchised, licensed, or owned by Franchisor or any affiliate at any locations Franchisor deems appropriate or distribute products or services which are similar to the products and services offered under the System under trade names, trademarks, service marks, trade dress or other commercial symbols other than the Marks;

(c) acquire or be acquired by a company establishing businesses identical or similar to the Franchised Business, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including the Protected Area;

(d) implement and maintain multi-area marketing programs at any time, including internet and regional or national accounts. Franchisor reserves the right to establish mandatory policies and procedures for these multi-area marketing programs; and

(e) engage in any other business activities not expressly prohibited by this Agreement.

1.6 Marketing Restrictions. Throughout the term of the franchise, Franchisee must focus its marketing and promotion of the Franchised Business within the Protected Area. Further, Franchisee must not conduct targeted marketing outside of the Protected Area. "Targeted Marketing" shall include all forms of advertising and promotion for customers which can reasonably be restricted to an address, including, but not limited to, direct mailings, door leaflets, telephone solicitation, and localized signs. The purpose of this restriction includes, but is not limited to, preventing confusion in the marketplace among The Original Rainbow Cone Businesses soliciting the same customers.

II. TERM

2.1 Term. Except as otherwise provided in this Agreement and subject to earlier termination pursuant to this Agreement, the term of this Agreement (the “**Term**”) shall commence on the date this Franchise Agreement is signed by Franchisor and Franchisee, and shall expire on the tenth (10th) anniversary of the date this Franchise Agreement is signed. Franchisee agrees and shall be obligated to

operate the Franchised Business and perform under the terms of this Agreement for the Term, except as otherwise noted below.

2.2 Renewal Options and Condition. Franchisee shall have the option to renew its right to operate the Franchised Business for three (3) additional terms of five (5) years each, provided that Franchisor does not exercise its rights in accordance with Section 2.3 below, if and only if each and every one of the following conditions has been satisfied:

(a) Franchisee gives Franchisor written notice of its election to renew not less than six (6) months nor more than twelve (12) months prior to the expiration of the Term;

(b) At least 30 days prior to the expiration of the Term, Franchisee executes Franchisor's then-current standard form of franchise agreement, which may contain new or significantly different terms, including but not limited to a higher royalty fee and a higher advertising contribution and different territorial protections than contained in this Agreement;

(c) Franchisee executes a general release in the form prescribed by Franchisor, of any and all claims Franchisee may have against Franchisor and its Affiliates, and their respective shareholders, officers, directors, members, managers, employees and agents, predecessors, successors and assigns;

(d) Franchisee is not then in default of any provisions of this Agreement, or any other agreement between Franchisee or its affiliates and Franchisor, or its Affiliate;

(e) Franchisee has fully and faithfully performed all of Franchisee's obligations under this Agreement throughout the Term;

(f) Franchisee has paid or otherwise fully satisfied all monetary obligations owed by Franchisee to Franchisor and its Affiliates and to designated suppliers any indebtedness of Franchisee that is guaranteed by Franchisor, and Franchisee has timely paid or otherwise satisfied these obligations throughout the Term;

(g) Franchisee agrees, at its sole cost and expense, to remodel, reimage, renovate, refurbish and modernize the Franchised Business within six months after execution of the then-current standard form of franchise agreement including but not limited to building design, parking lot, landscaping, equipment, point of sale system, signs, interior and exterior decor items, fixtures, furnishings, equipment, trade dress, color scheme, presentation of trademarks and service marks, supplies and other products and materials, to meet Franchisor's then-current standards, specifications and design criteria for Rainbow Cone Businesses, as contained in the then-current franchise agreement and Manual (as defined in Article VII), or otherwise in writing including but not limited to such structural changes, remodeling and redecoration and such modifications to existing improvement as may be necessary to do so; and

(h) Franchisee and its manager(s) comply with Franchisor's then-current training requirements and attend such refresher training classes as Franchisor deems necessary.

(i) Franchisee maintains possession of the premises of the Approved Location, or if Franchisee is unable to maintain possession of the Approved Location, secures an approved substitute and agrees to expeditiously develop the substitute premises in compliance with the then current standards and specifications for the development of The Original Rainbow Cone Businesses; and

(j) Franchisee pays to Franchisor a renewal fee in the amount of Seven Thousand Five

Hundred Dollars (\$7,500.00) at least thirty (30) days prior to the signing of the renewal Franchise Agreement.

2.3 Effect of Non-Renewal. Franchisee will not have the right to renew this Agreement upon its expiration if Franchisee fails to comply with any of the above conditions of renewal. Upon the expiration of the Term, Franchisee shall comply with the provisions of Article XVI of this Agreement.

2.4 Continued Operation Following Expiration. Franchisee has no right to continue to operate the Franchised Business after the expiration of the initial term of this Agreement unless Franchisee is granted a renewal Franchise Agreement in accordance with this Section 2. If Franchisor permits Franchisee to continue to operate the Franchised Business after the expiration of the initial term of this Agreement but before the execution of a renewal Franchise Agreement as required by Section 2.2, then the temporary continuation of the Franchised Business will be on a month-to-month basis, and will be terminable at Franchisor's option by giving Franchisee written notice of termination at least thirty (30) days before the termination is effective. If the laws of the jurisdiction in which the Franchisee or the Franchised Business are located require a longer notice period, the thirty-day period will be deemed modified to be the shortest notice period required by the laws of such jurisdiction.

III. FEES

3.1 Initial Franchise Fee. In consideration of the franchise granted to Franchisee herein, Franchisee shall pay to Franchisor an Initial Franchise Fee in the amount of Forty Thousand Dollars (\$40,000.00) payable in one lump sum upon execution of this Agreement by Franchisee. Except as otherwise specifically provided herein at Section 8.2, the initial franchise fee is non-refundable. The Initial Franchise Fee is deemed fully earned upon payment, in consideration of expenses incurred by Franchisor in granting the franchise and for Franchisor's lost or deferred opportunity to grant a franchise to others.

3.2 Royalty. Franchisee shall pay to Franchisor a recurring, non-refundable royalty in the amount of six percent (6%) of Gross Sales (as defined herein) during the Term, payable weekly (or on such other basis as may be set forth in the Manual or otherwise agreed to in writing by Franchisor) calculated on Gross Sales of the preceding week. Royalty fees shall be paid in the manner set forth in Section 3.5 of this Agreement or as otherwise provided for in the Manual.

3.3 Marketing Fund Contribution. Recognizing the value of advertising and marketing to the goodwill and public image of The Original Rainbow Cone Businesses, Franchisor intends to establish, maintain and administer an advertising, marketing and promotional fund (the "Marketing Fund") for such advertising, marketing and promotions as Franchisor may deem necessary or appropriate in its sole discretion. Franchisee shall contribute to the Marketing Fund an amount Franchisor designates up to three percent (3%) of the Gross Sales (as defined below) of the Franchised Business. Franchisor will give Franchisee sixty (60) days' notice prior to implementing any increase or decrease in the Marketing Fund contribution. Franchisor has the right to discontinue or reestablish the Marketing Fund upon sixty (60) days' advance notice to Franchisee. In the event Franchisor discontinues the Marketing Fund, Franchisor will distribute all unspent amounts existing in the Marketing Fund on the date of discontinuance to franchisees in proportion to their respective contributions for the most recent six (6) months. This Marketing Fund contribution is due weekly (or on such other basis as may be set forth in the Manual or otherwise agreed to in writing by Franchisor) along with the royalty fee for the Gross Sales for the preceding week. A further description of the Marketing Fund and Franchisee's obligations with respect to advertising, marketing and promoting the Franchised Business is set forth in Article XI of this Agreement. Marketing Fund contributions shall be paid in the manner set forth in Section 3.5 of this Agreement or as otherwise provided in the Manual.

3.4 Technology Fee. Franchisee shall pay to Franchisor a technology fee in an amount

determined by Franchisor. Franchisor has the right to determine how and for what purposes the technology fees will be used, which may include covering Franchisor's costs or paying fees to third party providers for technology development, maintenance, and usage for the franchise system, and subscription and license fees paid by Franchisor in order for franchisees to have access to and use certain technology tools, and for related research and development conducted by Franchisor. The technology fee shall be paid at times, in the manner, and in amounts as designated by the Franchisor. Franchisor will give Franchisee at least sixty (60) days' prior notice before changing the amount of the technology fee.

3.5 Late Payment Charge. If any monetary obligations owed by Franchisee to Franchisor or to its Affiliates are more than seven (7) days overdue, Franchisee shall, in addition to any other obligations, pay to Franchisor a sum equal to one and one-half percent (1.5%) of the overdue balance per month, or the highest rate permitted by law, whichever is less, from the date said payment is due ("**Late Payment Charge**").

3.6 Pre-Authorized Payment Methods. Franchisee shall pay for all purchases from, or fees owed to, Franchisor or its Affiliates by automated clearing house ("**ACH**"), as Franchisor may require, or by other means as set forth in this Agreement or in the Manual. Franchisor or its Affiliates shall have the right to withdraw the entire amount of any amounts owed to Franchisor or its Affiliates from Franchisee's designated bank account ("**ACH Account**") in accordance with the terms set forth in the Manual, as modified by Franchisor periodically. Franchisee shall, upon execution of this Agreement or any time after at Franchisor's request, execute all documents or forms as Franchisor determines are necessary for Franchisor to process ACH withdrawals from Franchisee's ACH Account for payments due, including the ACH Authorization Form attached hereto as Exhibit C. Franchisee agrees that it shall be responsible for any ACH transfer fee or similar charge imposed by the bank. Should any ACH not be honored by Franchisee's bank for any reason, Franchisee shall be responsible for that payment plus any service charge applied by Franchisor and the bank. Franchisee agrees that any time an ACH transaction is not honored, Franchisee shall pay to Franchisor its then-current non-sufficient funds fee. Franchisee's failure to maintain, at all times, an ACH Account in accordance with this Agreement shall be a material default of this Agreement. Franchisor has the right to periodically specify (in the Manual or otherwise in writing) different payees and/or payment methods, such as weekly/biweekly/monthly payment, payment by auto-draft and payment by check.

3.7 Gross Sales. For purposes of this Agreement, the term "Gross Sales" means all sales, revenues and receipts generated by the Franchised Business, including fees for any and all services Franchisee performs, whether for cash or credit (regardless of collectability) and revenues of every kind related to the Franchised Business, including but not limited to revenues from the sale of food, beverages, merchandise, proprietary products or clothing, delivery and catering not included in the price of menu items, and other services made and rendered in, on, or from the premises of the Franchised Business, or through any other means, including sales outside of the premises, that are in any way related to the Franchised Business, whether for cash, exchange or credit (and regardless of collection in the case of credit), and proceeds of business interruption insurance policies, except that Gross Sales will not include sales use or services taxes collected from customers and actually paid to the appropriate taxing authority.

IV. ACCOUNTING AND RECORDS

4.1 Maintenance and Retention of Books and Records; Designated Accounting Services. During the Term, Franchisee shall maintain and preserve complete and accurate books, records and accounts in accordance with U.S. Generally Accepted Accounting Principles and in the form and the manner prescribed by Franchisor from time to time in the Manual or otherwise in writing, which may include the use of designated software or web-based platform, standard chart of accounts, and specified reporting period uniformity throughout the franchise system, and Franchisor access to the financial data.

Franchisee agrees to elect a fiscal year the same as Franchisor's fiscal year. During the first twelve (12) months of operation, Franchisee is required to engage and use the services of an accounting service designated by Franchisor for preparation of financial statements and financial reporting. After the first twelve (12) months of operation, if at any time Franchisee is not in full compliance with the requirements of this Section VI., Franchisor can, by delivery of written notice, require Franchisee to once again engage and use the services of an accounting service designated by Franchisor.

4.2 Royalty Reports; Daily Reports. Franchisee shall submit to Franchisor, no later than the date each weekly royalty payment is due during the Term, a report on forms or in a manner prescribed by Franchisor, accurately reflecting Gross Sales during the preceding week and such other forms, reports, records, financial statements or information as Franchisor may reasonably require in the Manual or otherwise in writing. Franchisor reserves the right to require Franchisee to submit to Franchisor daily flash reports in the form and manner specified by Franchisor. Franchisee must provide Franchisor with full access to Franchisee's point-of-sale system and back of house software to retrieve Gross Sales and other required information relating to the Franchised Business.

4.3 Period Statements. During the Term, Franchisee shall, at its expense, submit to Franchisor within fourteen (14) days following the end of each of the thirteen (13) 4-week reporting periods of Franchisor ("**Periods**"), a statement providing certain sales and other financial data in a form and format as Franchisor may reasonably require ("**Period Statement**") together with a certificate executed by Franchisee or an officer of Franchisee stating that such financial statement is true and accurate. Upon Franchisor's request, Franchisee shall submit to Franchisor, with each Period Statement, copies of any state or local sales tax returns filed by Franchisee for the period included in the Period Statement. The Period Statements shall be submitted within fourteen (14) days following the end of the fourth (4th), seventh (7th), tenth (10th) and thirteenth (13th) Periods. In the alternative, and as required by Franchisor, the requirements of this Section 4.3 may be met by granting or providing to Franchisor access to Franchisee's electronic records and software containing such data.

4.4 Financial Statements. Franchisee shall, at its expense, submit to Franchisor during the Term of this Agreement, unaudited financial statements for the preceding quarterly period and for the preceding fiscal year ("**Financial Statements**"), together with a certificate executed by Franchisee certifying that such financial statement, as applicable, is true and accurate and such other information in such form as Franchisor may reasonably require. Upon written request from Franchisor, the foregoing Financial Statements shall include both a profit and loss statement and a balance sheet, and shall be prepared in accordance with generally accepted accounting principles. Franchisee must furnish Franchisor with any additional financial statements and any tax returns for the Franchised Business within fifteen (15) days after Franchisee's receipt of Franchisor's written request for the information. In the event Franchisee defaults under this Agreement, Franchisor may require, upon written notice to Franchisee, that all Financial Statements submitted thereafter include a "Review Report" prepared by an independent Certified Public Accountant (CPA).

4.5 Other Reports. Franchisee shall also submit to Franchisor, for review or auditing, such other forms, financial statements, reports, records, information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing. If Franchisee has combined or consolidated financial information relating to the Franchised Business with that of any other business or businesses, including a business licensed by Franchisor, Franchisee shall simultaneously submit to Franchisor, for review or auditing, the forms, reports, records and financial statements (including but not limited to the Period statements and annual Financial Statements) which contain the detailed financial information relating to the Franchised Business, separate and apart from the financial information of such other businesses.

4.6 Equipment. Franchisee shall record all sales on point-of-sale equipment as required by the Manual or as otherwise approved in writing by Franchisor.

4.7 Franchisor's Right to Audit. Franchisor or its designated agents or auditors shall have the right at all reasonable times to audit, review and examine by any means, including electronically through the use of telecommunications devices or otherwise, at its expense, the books, records, accounts and tax returns of Franchisee. If any such audit, review or examination reveals that Gross Sales have been understated in any report to Franchisor, Franchisee shall immediately pay to Franchisor the royalty fee and Marketing Fund Contribution due with respect to the amount understated, in addition to the Late Payment Charge. If any such understatement exceeds two percent (2%) of Gross Sales as set forth in the report, or if such audit is made necessary by Franchisee's failure to furnish reports, financial statements or other documents or information as herein required, Franchisee shall, in addition, immediately reimburse Franchisor for any and all costs and expenses connected with such audit, review or examination (including but not limited to reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other rights and remedies Franchisor may have under this Agreement or applicable law.

4.8 Failure to Comply with Reporting Requirements. If Franchisee's records and procedures are insufficient to permit a proper determination of Gross Sales, Franchisor shall have the right to deliver to Franchisee an estimate, made by Franchisor, of Gross Sales for the period under consideration, and Franchisee shall pay to Franchisor any amount determined by Franchisor to be due based on such Gross Sales estimates within five (5) business days of the date of the estimate. Any estimated payments shall be deemed the minimum amount of fees due for the required reports, and Franchisee shall remain liable for all fees in excess of these amounts once the actual Gross Sales related to these reports are determined. Franchisee shall also pay to Franchisor the Late Payment Charge on all unpaid amounts.

4.9 Financial Information from Third Parties. Franchisee authorizes Franchisor to make reasonable inquiries of Franchisee's bank, suppliers, distributor, trade creditors and landlord relating to the Franchised Business, and Franchisee agrees to direct relevant persons and companies to provide to Franchisor this information and copies of documents relating to the Franchised Business as Franchisor may request.

V. PROPRIETARY MARKS

5.1 Marks. It is understood and agreed that the license granted under this Agreement to use the Marks applies only to use in connection with the operation of the Franchised Business at the Approved Location set forth on Exhibit A, and includes only the Marks as are now designated or which may hereafter be designated, and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor. Franchisee acknowledges that it has not acquired any right, title, or interest in the Marks except for the right to use the Marks in the operation of the Franchised Business in compliance with this Agreement.

5.2 System. Franchisee acknowledges that Franchisor and Franchisor's affiliate, Rainbow Cone LLC, own and control the distinctive plan for the establishment, operation, and promotion of a The Original Rainbow Cone Business and all related methods of doing business, previously defined as the System, which include, but are not limited to, Franchisor's standards and specifications for The Original Rainbow Cone Businesses, operational methods, food and preparation methods, products, supplies, equipment, marketing techniques, written promotional materials, advertising, and accounting systems, all of which constitute confidential information and trade secrets of Franchisor, and Franchisee acknowledges that Franchisor has valuable rights in and to this confidential information and trade

secrets. Franchisee additionally acknowledges that it has not acquired any right, title, or interest in the System, except for the right to use the System in the operation of the Franchised Business as governed by this Agreement and Franchisee is obligated to maintain the confidentiality of the System in accordance with this Agreement. Any improvements in or additions to the System, Franchisor's copyrighted materials, website or any other documents or information pertaining to or relating to the System or the Franchised Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Franchised Business (collectively, the "**Improvements**") conceived or developed by Franchisee shall become the property of Franchisor and/or Franchisor's affiliate. Franchisee agrees to assign and does hereby assign to Franchisor and/or Franchisor's affiliate, all right, title and interest in and to the Improvements, including but not limited to the right to grant sublicenses to any such Improvement. Franchisee shall fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor's written approval prior to using such Improvements. Any such Improvement may be used by Franchisor and all other franchisees of the System without any obligation to Franchisee for royalties or other fees. Franchisor and/or Franchisor's affiliate may, at its discretion, apply for and own copyrights, patents, tradenames, trademarks and service marks relating to any such Improvements and Franchisee shall cooperate with Franchisor or Franchisor's affiliate in securing such rights. Franchisor and/or Franchisor's affiliate may also consider such Improvements as its property and trade secrets. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees. All Improvements created by Franchisee or any other authorized person or entity retained or employed by Franchisee is the property of Franchisor and/or Franchisor's affiliate, and Franchisor and Franchisor's affiliate shall be entitled to use and license others to use such Improvements unencumbered by moral rights. If any of the Improvements are copyrightable materials, they shall be works made for hire within the meanings of the United States Copyright Act and, to the extent such copyrighted materials do not automatically accrue or inure to Franchisor or Franchisor's affiliate, Franchisee irrevocably assigns and agrees to assign to Franchisor and/or Franchisor's affiliate, and their successors and assigns, the entire right, title and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such copyrighted materials, which Franchisor and/or Franchisor's affiliate and the author of such copyrighted materials warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Improvements from another person or entity necessary to ensure Franchisor's right to the Improvements as required in this Section.

5.3 Conditions and Limitations. With respect to Franchisee's use of the Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:

(a) Franchisee shall not use any of the Marks as part of Franchisee's electronic mail address (except for any e-mail address assigned by Franchisor), or as part of any URL, web page, domain name, locator, link, metatag, or on any sites on the internet or the world wide web;

(b) Franchisee shall use no service mark or trademark other than the "The Original Rainbow Cone" service mark or any other Marks as may be specified by Franchisor for use in the identification, marketing, promotion, or operation of the Franchised Business;

(c) Franchisee shall not hold out or otherwise use the Marks to perform any activity or incur any obligation or indebtedness in such manner as might, in any way, make Franchisor liable therefore, without Franchisor's prior written consent; and

(d) Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for the Marks or to maintain the continued validity of the Marks.

5.4 Franchisee's Business Name. Franchisee acknowledges that between Franchisor and Franchisee, Franchisor has a prior and superior claim to the "The Original Rainbow Cone" trade name. Franchisee shall not use the words "The Original Rainbow Cone," "Rainbow Cone," or any combination thereof, in the legal name of its corporation, limited liability company, partnership, or any other business entity used in conducting the Franchised Business. Franchisee also agrees not to register or attempt to register a trade name using the words "The Original Rainbow Cone" or "Rainbow Cone" in Franchisee's name or that of any other person or business entity, without the prior written consent of Franchisor. Franchisee shall not identify itself as being "The Original Rainbow Cone" or as being associated with Franchisor or its Affiliates in any manner other than as a franchisee or licensee. Franchisee shall, in all advertising and promotion and promotional materials, display its business name only in obvious conjunction with the phrase "an independent The Original Rainbow Cone Licensee" or "an independent The Original Rainbow Cone Franchisee" or with other words and in other phrases so as to identify itself as an independent owner of the Franchised Business, or as otherwise may be required in the Manual.

5.5 Signage. Franchisee shall display a standard sign in the Franchised Business, as may be specified by Franchisor, indicating to the public that the Franchised Business is independently owned and operated as a franchisee or licensee of the System.

5.6 Use Outside the Scope of License. Franchisee acknowledges that the use of the Marks outside the scope of this Agreement, without Franchisor's prior written consent, is an infringement of Franchisor's and Franchisor's affiliate's exclusive right to use the Marks. During the Term and after the expiration or termination of this Agreement, Franchisee covenants not to, directly or indirectly, commit an act of infringement or contest or aid in contesting the validity of ownership of the Marks, or take any other action in derogation of Franchisor's ownership of the Marks.

5.7 Mark Infringement. Franchisee shall immediately notify Franchisor in writing of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's and Franchisor's affiliate's right to use, the Marks. Franchisee acknowledges that Franchisor and Franchisor's affiliate have the right, in their sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use of the Marks. Franchisor and/or Franchisor's affiliate may prosecute the action in Franchisor's or Franchisor's affiliate's own name and may join Franchisee as a party to the action if Franchisor and/or Franchisor's affiliate determines it to be reasonably necessary for the continued protection and quality control of the Marks and the System. Franchisor or Franchisor's affiliate shall bear the reasonable cost of any such action, including attorneys' fees. Franchisee shall fully cooperate with Franchisor in any such litigation.

5.8 Reservation of Rights. Franchisee understands and agrees that its license with respect to the Marks is non-exclusive and that Franchisor has and retains the sole right under this Agreement:

(a) To grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees;

(b) To develop and establish other franchise systems for the same, similar, or different products or services utilizing proprietary marks not now or hereafter designated as part of the System, and to grant licenses thereto, without providing Franchisee any such rights;

(c) To develop and establish other systems for the sale, at wholesale or retail, of similar or different products utilizing the same or similar Marks, without providing Franchisee any such rights; and

(d) As otherwise provided in this Agreement.

5.9 Goodwill. Franchisee acknowledges and expressly agrees that any and all goodwill associated with the System and identified by the Marks used in connection therewith inures directly and exclusively to the benefit of Franchisor and/or Franchisor's affiliate and is the property of Franchisor and/or Franchisor's affiliate, and that upon the expiration or termination of this Agreement or any other agreement, no monetary amount shall be assigned as attributable to any goodwill associated with any of Franchisee's activities in the operation of the Franchised Business granted herein, or Franchisee's use of the Marks.

5.10 Covenants. Franchisee understands and acknowledges that each and every detail of the System is important to Franchisee, Franchisor, Franchisor's affiliate and other franchisees in order to develop and maintain high and uniform standards of quality and services, and hence to protect the reputation and goodwill of The Original Rainbow Cone Businesses, Franchisor, Franchisor's affiliate and the System. Accordingly, Franchisee covenants:

(a) To operate and advertise the Franchised Business, at Franchisee's own expense, under the name "The Original Rainbow Cone," without prefix or suffix;

(b) To adopt and use the Marks licensed under this Agreement solely in the manner prescribed by Franchisor; and

(c) To observe such reasonable requirements with respect to trademark registration notices as Franchisor may from time to time direct in the Manual or otherwise in writing.

5.11 Inspections. In order to preserve the validity and integrity of the Marks and to assure that Franchisee is properly employing the same in the operation of the Franchised Business, Franchisor or its agents shall at all reasonable times have the right to inspect Franchisee's operations, business premises and the Franchised Business and to make periodic evaluations of the services provided and the products sold and used therein. Franchisee shall cooperate with Franchisor's representatives in such inspections and render such assistance to the representatives as may reasonably be requested.

5.12 Change of Marks. If Franchisor, in its sole discretion, shall determine it necessary to modify or discontinue use of any Mark, or to develop additional or substitute marks, Franchisee shall, within a reasonable time after receipt of written notice of a modification or discontinuation from Franchisor, take such action, at Franchisee's sole expense, as may be necessary to comply with the modification, discontinuation, addition or substitution.

5.13 Consents to Use of Marks. Franchisee additionally agrees to execute all additional documents and assurances in connection with the use of the Marks as reasonably requested by Franchisor and/or Franchisor's affiliate and agrees to fully cooperate with Franchisor or Franchisor's affiliate or any other franchise owner or licensee of Franchisor in securing all necessary and required consents of any state agency or legal authority to the use of the Marks or any other name that is or becomes a part of the System.

5.14 Name, Photo/Video and Other Information. Franchisee acknowledges and authorizes Franchisor and its Affiliates to use Franchisee's name, photographs or videos of Franchisee and/or the interior or exterior of the Franchised Business, biographical information on Franchisee, and operational information and data on the Franchised Business in any and all of Franchisor's publications and promotions, including printed and digital publications and on websites. Franchisee agrees and understands that any photograph or video of Franchisee or the Franchised Business will become

Franchisor's property and will not be returned. Franchisee agrees and irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish or distribute any photograph or video of Franchisee for any lawful purpose. Franchisee waives any rights to royalties or any other compensation related to Franchisor's use of any photograph or video of Franchisee or the Franchised Business. Franchisee agrees to hold harmless and forever discharge Franchisor from all claims, demands, and causes of action which Franchisee may have in connection with this authorization.

VI. BUSINESS DEVELOPMENT AND OPENING; RELOCATION

6.1 Ownership of Franchisee. Prior to the opening of the Franchised Business, any individual signing as franchisee shall establish a corporation, limited liability company, general partnership or limited partnership ("Entity"), to own and operate the Franchised Business and shall assign this Agreement to the Entity. Franchisee's owners, shareholders, officers, directors, members, managers and partners (or persons holding comparable positions in non-corporate entities) shall be referred to herein as "Principals". Franchisee must complete and update throughout the Term, as necessary, the "Statement of Ownership" attached as Exhibit D and:

(a) All persons who own any interest in the Entity must guaranty Franchisee's performance under this Agreement by signing the "Guaranty and Assumption of Franchisee's Obligations" attached as Exhibit E;

(b) Franchisee shall provide to Franchisor a resolution signed by all shareholders, directors, members, managers or partners, as appropriate, designating the principal contact for the Entity and Franchisee. This principal contact must be a controlling shareholder, managing member or general partner. This representative shall have the authority to speak for and bind Franchisee in all matters pertaining to this Agreement, and all matters regarding the Franchised Business;

(c) Franchisee shall designate one owner of the entity having an ownership interest of ten percent (10) or more who will be the Operating Owner for the Franchised Business and will devote full-time and best efforts to the management of the Franchised Business. The Operating Owner must successfully complete Franchisor's initial training program. Franchisee shall give Franchisor immediate notice of any change in the Operating Owner and must arrange for the new Operating Owner to attend Franchisor's initial training program. The Operating Owner may also be the designated manager providing the direct on-site supervision of the operation of the Franchised Business.

(d) The Entity shall engage in no other business than the operation of the Franchised Business unless Franchisor approves such other business in writing. Franchisor may, in its sole discretion, for any reason, elect to withhold approval;

(e) Franchisee shall furnish to Franchisor, upon execution or any subsequent transfer of this Agreement, a copy of Franchisee's articles of incorporation, articles of organization, bylaws, operating agreement, partnership agreement or equivalent governing document, as applicable, and shall thereafter promptly furnish Franchisor with a copy of any and all amendments or modifications thereto;

(f) Franchisee shall promptly furnish Franchisor, on a regular basis, with certified copies of such Entity records material to the Franchised Business as Franchisor may require from time to time in the Manual or otherwise in writing; and

(g) Franchisee shall maintain transfer restrictions on its records, of any securities with voting rights, subject to the restrictions of this Agreement, and each certificate of Franchisee representing ownership or equity interests in the Entity, shall have conspicuously endorsed upon it the

following legend:

The transfer of this *[stock/membership interest/ownership interest]* is subject to the terms and conditions of a The Original Rainbow Cone Franchise Agreement with The Original Rainbow Cone dated_. Reference is made to the provisions of said Franchise Agreement and to the governing documents of *[name of Franchisee Entity]*.

6.2 Site Selection and Approval. If the location is not designated on Exhibit A at the time this Agreement is executed, it is Franchisee's sole responsibility to undertake site selection activities and otherwise secure the premises for the Franchised Business. Prior to entering into a lease for a site, Franchisee must submit to Franchisor a site evaluation form for the proposed site, together with a letter of intent, proposed lease, or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the proposed site. Franchisor will provide Franchisee written notice of approval or disapproval of the proposed site within thirty (30) days after receiving Franchisee's written proposal and all required documents. While Franchisor may use its experience in providing any assistance to Franchisee regarding site selection and in approving a site, nothing contained herein shall be interpreted as a guarantee of success for said location. Franchisee must obtain Franchisee's written approval of a proposed site before entering into a lease. Franchisee must have a proposed site approved by Franchisor within six (6) months of the date of the execution of this Agreement. Franchisor has the unilateral right (but not the obligation) to terminate the Agreement upon delivery of notice to Franchisee if Franchisee has not obtained Franchisor's written approval of a site for the Franchised Business within time frames described above.

6.3 Lease of Premises. Any letter of intent for a lease for the premises of The Original Rainbow Cone Business and any proposed lease for the premises of The Original Rainbow Cone Business must be approved by Franchisor before it is executed by Franchisee. Franchisor may, in its discretion, require that the letter of intent and the lease contain commercially reasonable terms based on current market conditions and that certain terms and provisions be included in the letter of intent and the lease. Franchisor's approval of the lease shall also be conditioned upon the landlord's execution of the Addendum to Lease and Collateral Assignment attached hereto as Exhibit B, or inclusion in the lease similar terms as approved by Franchisor. The requirements set forth herein apply whether the lessor is an unrelated third party or is an affiliate of Franchisee. Once executed, Franchisee will provide Franchisor with a fully signed copy of the complete lease for the premises of The Original Rainbow Cone Business.

6.4 Premises Development. Prior to obtaining possession of the site for The Original Rainbow Cone Business, Franchisee shall secure all financing required to fully develop The Original Rainbow Cone Business. Promptly after obtaining possession of the site for the Franchised Business, Franchisee will: (i) cause to be prepared and submit for approval by Franchisor a site plan. Franchisor shall then provide basic drawings and specifications, including requirements for dimensions, exterior design, materials, interior layout, equipment, fixtures, furniture, signs, and decorating required for the development of the Franchised Business; Franchisee is required to hire a licensed architect designated by Franchisor and have these drawings and specifications modified by the architect, as required, to meet applicable ordinances, building codes or permit requirements (Franchisor must approve any such modifications to the drawings and specifications) and to fit the configuration of the approved site; (ii) obtain all required zoning changes, all required building, utility, health, sanitation and sign permits and any other required permits and licenses; (iii) purchase or lease equipment, fixtures, furniture and signs as hereinafter provided; (iv) complete the construction and/or remodeling, equip, furnish and decorate the Franchised Business in full and strict compliance with plans and specifications approved by Franchisor and all applicable ordinances, building codes and permit requirements; (v) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and (vi) upon completion of construction, furnish Franchisor final costs for the construction, equipment, build-out, deposits, and total development of the Franchised Business. Once the premises of the Franchised Business is established and approved by Franchisor, no changes in the interior or exterior design of the Franchised Business or the equipment or fixtures used within may be made without prior written consent of Franchisor.

6.5 Franchisor Consent to Open. Franchisee shall not commence operation of the Franchised Business until: (1) the Franchisee entity has been established in accordance with Section 6.1 herein; (2) the premises of the Franchised Business has been developed in accordance with Section 6.2 herein; (3) Franchisee's Operating Owner and required managers have successfully completed the initial training program, Franchisee has hired the necessary staff of employees, and Franchisee has initiated a training program for its employees; (4) Franchisee has obtained all required certifications and license for operating the Franchised Business; (5) Franchisee has furnished Franchisor with copies of all insurance policies required by Article XII of this Agreement, and (6) Franchisee requests and obtains Franchisor's written consent to open for business. For a Free Standing Franchise, Franchisee must have met the foregoing requirements and opened the Franchised Business within twelve (12) months of Franchisor's written approval of the site for the Franchised Business for a site with ground up construction or within ten (10) months of Franchisor's written approval of the site for an existing location. For an In-Line Franchise, Franchisee must have met the foregoing requirements and opened the Franchised Business within twelve (12) months of Franchisor's written approval of the site for the Franchised Business for a site with ground up construction or within eight (8) months of Franchisor's written approval of the site for an existing location. Franchisor has the unilateral right (but not the obligation) to terminate the Agreement upon delivery of notice to Franchisee if fail to open the Franchised Business with Franchisor's approval within the applicable time periods described above. If extenuating circumstances beyond Franchisee's control delay the opening of the Franchised Business and Franchisee has been making reasonable efforts to open the Franchised Business, Franchisor may (in its sole discretion) agree to extend the date for opening for an additional reasonable amount of time determined by Franchisor based on the circumstances.

6.6 Relocation of Store.

(a) If Franchisee's lease for the premise of the Franchised Business terminates without fault of Franchisee, or expires without any possibility of renewal by Franchisee on commercially reasonable terms as determined by Franchisor, or if in the judgment of Franchisor and Franchisee there is a change in the character of the location of the Franchised Business sufficiently detrimental to its business potential to warrant its relocation, Franchisor shall grant permission for relocation of the Franchised Business to a location approved by Franchisor. Franchisee may not open a relocated Franchised Business without the on-site presence of Franchisor's representative, unless a waiver is requested in writing by Franchisee and approved in writing by Franchisor. Even if the aforementioned request and approval are granted, Franchisee must obtain Franchisor's written authorization, in its sole discretion, of the specific date that the Franchised Business may open. In the event of relocation, the parties will enter into an agreement which will set forth the new location for Franchisee's Franchised Business and a deadline by which Franchisee must open for business at the new location, after which time Franchisee will be obligated to resume paying the royalty and Marketing Fund Contributions whether or not the new location has opened for business. Until such time that the new location is open for business, the amount of the royalty and Marketing Fund Contribution will be based on the Franchisee's average weekly level of Gross Sales during the one-year period prior to closing the first Franchised Business. Any such relocation shall be at Franchisee's sole expense, and shall not be undertaken without Franchisor's prior written consent. Franchisee shall pay to Franchisor a relocation fee in the amount of fifty percent (50%) of the then-current Initial Franchise Fee to cover Franchisor's services and associated costs in connection with such relocation, including those related to reviewing and approving the new location and the construction drawings for the Franchised Business at its new location and providing additional on-site training and assistance. Franchisee shall pay fifty percent (50%) of the relocation fee when Franchisor grants the approval to relocate and the balance of the relocation fee upon Franchisor's acceptance of the new location for the Franchised Business.

(b) Franchisor shall also have the right to require Franchisee to upgrade the relocated Franchised Business to conform to Franchisor's then current image, standards, and specifications for construction and equipment for all new Franchised Businesses.

(c) In the event of a relocation of the Franchised Business, Franchisee shall promptly

remove from the former Franchised Business premises any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery, supplies, forms and other articles which display any of the Marks and distinctive features or designs associated with the System. Any articles which display any of the Marks or any distinctive features or designs associated with the System which are not used by Franchisee at the new Franchised Business location shall be disposed of by Franchisee as directed by Franchisor following notice to Franchisor to the effect such articles will not be used at the new Franchised Business. Furthermore, Franchisee shall, at Franchisee's expense, immediately make such modifications or alterations as may be necessary to distinguish the former Franchised Business premises so clearly from its former appearance and from other Franchised Business so to prevent any possibility of confusion by the public (including, without limitation, removal of all distinctive physical and structural features identifying Franchised Business and removal of all distinctive signs and emblems). Franchisee shall, at Franchisee's expense, make such specific additional changes as Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as Franchisor deems appropriate, Franchisee agrees that Franchisor or its designated agents may enter the premises of the former Franchised Business and adjacent areas at any time to make such alterations as Franchisor deems appropriate to distinguish Franchisee's former Franchised Business premises, without liability for trespass. Franchisee expressly acknowledges that failure to make such alterations will cause irreparable injury to Franchisor and hereby consents to entry, at Franchisee's expense, of any ex parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the former Franchised Business premises is not properly and completely undertaken, Franchisor may then revoke its permission for relocation and declare a default under this Agreement.

(d) In the event Franchisee loses possession of the premises Franchised Business for whatever reason prior to the expiration of the term of this Agreement, Franchisee is required to diligently search for a new location and open and operate the Franchised Business as promptly as commercially practicable. In the event Franchisee fails to diligently pursue a new location and open a new Franchised Business, Franchisee shall be liable to Franchisor for Liquidated Damages as provided for herein.

VII. CONFIDENTIAL OPERATIONS STANDARDS MANUAL

7.1 Compliance With Confidential Operations Standards Manual. In order to protect the reputation and goodwill of Franchisor and the System and to maintain uniform standards of operation under the System and the Marks, Franchisee shall conduct the Franchised Business in accordance with Franchisor's Confidential Operations Standards Manual (together with any other manuals and written materials created or approved for use in the operation of the Franchised Business granted herein, and all amendments and updates thereto, collectively the "**Manual**"), which contains the standards, specifications, procedures and techniques of the System. The Manual shall remain the sole property of Franchisor and must be returned to Franchisor at Franchisor's direction. Franchisee, and if Franchisee is an Entity, its Principals, acknowledge that the contents of the Manual and Franchisee's knowledge of Franchisor's processes, services, products, know-how and the System, are secret, unique, and confidential and contain trade secrets and other material proprietary to Franchisor. Franchisee acknowledges that its entire knowledge of the operation of the Franchised Business is and shall be derived from information disclosed to Franchisee by Franchisor and that certain of the information is proprietary, confidential and a Trade Secret of Franchisor. "**Trade Secrets**" refers to the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures or improvements regarding the Franchised Business or the System that is valuable and secret in the sense that it is not generally known to competitors of The Original Rainbow Cone. Franchisee shall maintain the absolute confidentiality of all Trade Secrets during and after the Term, and shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee agrees not to disclose the contents of the Manual to unauthorized persons and

to use Franchisee's best efforts to prevent unauthorized disclosure to any person, as this disclosure would cause irreparable harm to Franchisor and the System. Franchisee understands that the Manual is loaned to Franchisee in an online format, and that at all times the Manual remains the sole property of Franchisor. The Manual may be provided in printed or electronic form and Franchisee agrees to return any printed copies of the Manual to Franchisor or destroy any files containing the Manual upon the termination of this Agreement or at times as may otherwise be directed by Franchisor. Franchisee shall not copy or otherwise duplicate the Manual or any other proprietary materials without Franchisor's consent. The Manual may contain both mandatory as well as certain optional or advisory terms, which Franchisor includes as a convenience to Franchisee and to assist in the operation of the Franchised Business as Franchisee deems appropriate in its business judgment. Franchisee must comply with all mandatory specifications, standards, and procedures set forth in the Manual. Franchisor retains the right to modify, change, add to, delete, or supplement the Manual and to specify other systems, procedures or forms in any manner it deems necessary, in its sole discretion, and shall notify Franchisee about changes in writing by mail, electronic mail or postings on Franchisor's intranet system or website on the internet. Upon receipt of notice of changes to the Manual, Franchisee must comply with any such changes that are mandatory.

VIII. TRAINING

8.1 Training Generally. Before Franchisee opens the Franchised Business, and from time to time thereafter, Franchisor will make available to Franchisee various mandatory and optional training programs. Franchisee must timely complete all mandatory training as set forth in this Article VIII. Franchisee acknowledges that, as the owner of its The Original Rainbow Cone Business, Franchisee is responsible for the training of its employees.

8.2 Initial Training. The Operating Owner and manager(s) as required by Franchisor must attend and successfully complete Franchisor's initial training program, including virtual pre-training to be completed prior to attending the in-person initial training program. The length of training will be determined at Franchisor's discretion and dependent upon the prior experience of the attendees. The cost of Initial Training (instruction and required materials) is borne by Franchisor. All other expenses, including travel, meals and lodging and Franchisee's employee wages, are the responsibility of Franchisee. Additional owners and managers may attend the initial training program as space is available and for the current tuition fee. The initial training program will be furnished at Franchisor's offices or other locations designated by Franchisor.

If, during the initial training program, Franchisor determines, in its sole discretion, that Franchisee's Operating Owner did not successfully complete the initial training, Franchisor has the right to require the Operating Owner to attend and successfully complete additional training or to require a different owner to be designated as Operating Owner and to attend and successfully complete training, and/or Franchisor has the right to terminate this Agreement, effective upon delivery of written notice thereof to Franchisee. If Franchisee is terminated by Franchisor for failure to successfully complete the initial owner training, Franchisor agrees to refund ten percent (10%) of the initial franchise fee paid upon Franchisee's execution and delivery to Franchisor of a termination agreement and general release of all claims in a form satisfactory to Franchisor.

If during any training program, Franchisor determines, in its sole discretion, that any proposed manager is not qualified to manage the Franchised Business, Franchisor will notify Franchisee of that determination and Franchisee must then select and enroll a substitute manager in such training program, and such substitute manager must attend and successfully complete the initial training program. If Franchisee desires to have additional managers trained by Franchisor, Franchisor will make this opportunity available to Franchisee provided training space is available in a regularly scheduled class. For each such additional manager, Franchisee will pay the then-current fee for this additional training.

8.3 On-Site Training. One or more of Franchisor's representatives will provide on-site training and opening assistance to Franchisee and Franchisee's managers and employees prior to and immediately following the date of the opening of the Franchised Business. The length of the on-site training will be as Franchisor deems necessary for the proper opening and initial period of operation of the Franchised Business. Franchisee will pay an on-site training fee in the amount of the then-current daily fee for each of Franchisor's representatives that provide the on-site training plus the travel expenses incurred by Franchisor's representative in conducting the on-site training. Franchisee will pay a non-refundable on-site training fee deposit in the amount of Ten Thousand Dollars (\$10,000.00) upon the execution of this Agreement. The balance of the training fee shall be paid upon completion of the on-site training as determined by Franchisor.

8.4 Supplemental Education. Franchisor may from time to time provide, and may require, that Franchisee, its owners and/or managers attend and successfully complete supplemental training, seminars, regional franchise meetings or webinars to be conducted at times and locations designated by Franchisor. Franchisor may require attendance at such training, seminars and meetings for up to five (5) days each calendar year. Franchisor may charge a tuition fee for any such training, seminars, meetings or webinars and Franchisee will be responsible for all expenses incurred by Franchisee's owners and/or managers in attending these programs.

8.5 Conferences and Conventions. Franchisor reserves the right to hold and require all franchisees to attend national, regional or local conferences for The Original Rainbow Cone franchisees to discuss updates to products, services, methods, operational standards, policies and procedures, and marketing and advertising. If Franchisor holds such conferences, Franchisee's owner(s) may be required to attend any conference for which Franchisor determines attendance is mandatory. Franchisor may charge Franchisee a fee to attend the conference ("Conference Registration Fee"). If Franchisor's owner(s) fail to attend any conference held during the term of this Agreement for which attendance is mandatory, Franchisee remains obligated to pay the Conference Registration Fee. Any costs or expenses associated with Franchisee's owner(s)'s attendance of such conferences will be borne solely by Franchisee.

8.6 Additional Training. Franchisee may request and Franchisor may, in its sole discretion, provide additional initial or ongoing training beyond the amount normally provided to franchisees ("**Additional Training**"). If Franchisor provides such Additional Training, Franchisee shall pay Franchisor its then-current training fees for such Additional Training, plus any travel and living expenses incurred by Franchisor's representative if travel to Franchisee's location is necessary to conduct such Additional Training.

IX. DUTIES OF FRANCHISOR

9.1 Continuing Advisory Assistance. Franchisor will make available to Franchisee such continuing advisory assistance in the operation of the Franchised Business, in person or by electronic or written communications made available from time to time as Franchisor deems advisable.

9.2 Pre-Opening Assistance. Franchisor, in its sole discretion, may provide opening assistance to Franchisee at the Franchised Business, including but not limited to the following:

(a) Provide Franchisee with lists of designated and approved suppliers and other standards and specifications for purchasing initial furniture, fixtures, equipment, products, materials and supplies necessary for commencement of operations and guidance for ordering same;

(b) Provide location research and site selection assistance and guidance, including real estate and demographic analysis, as Franchisor deems advisable, subject to the availability of Franchisor's personnel. However, the selection of a site for the Approved Location is the sole responsibility of Franchisee;

(c) Provide typical floor plans and site build-out specifications for the construction of the Franchised Business; and

(d) Provide training to Franchisee's owners and managerial employees as set forth in Article VIII of this Agreement.

9.3 Standard Plans and Specifications. Franchisor will make available to Franchisee standard plans and specifications to be utilized only in the construction of the Franchised Business. The standard plans and specifications will be initially provided in the Manual. No modification to or deviations from the standard plans and specifications may be made without the written consent of Franchisor. Franchisee shall obtain, at its expense, further qualified architectural and engineering services to prepare surveys, site and foundation plans, and to adapt the standard plans and specifications to applicable local or state laws, regulations or ordinances. Franchisee shall bear the cost of preparing plans containing deviations or modifications from the standard plans.

9.4 Uniformity; Suppliers. Franchisor will continue its reasonable efforts to assist The Original Rainbow Cone Businesses in maintaining high and uniform standards of quality, cleanliness, appearance and service, to protect and enhance the reputation of the System and the demand for the products and services of the System. Franchisor will establish uniform criteria for approving suppliers and make every reasonable effort to disseminate its standards and specifications to prospective suppliers of Franchisee upon written request of Franchisee. However, Franchisor may elect not to make available to prospective suppliers the standards and specifications for such formulae or equipment designs deemed by Franchisor in its sole discretion to be confidential. Franchisor may conduct periodic inspections of the business premises and evaluations of the products used and sold at the Franchised Business.

9.5 Delegation. Franchisee agrees that Franchisor shall have the right to delegate to third-party designees, whether Franchisor's agents or independent contractors with whom Franchisor has contracted, the performance of any portion or all of Franchisor's obligations under this Agreement, and any right Franchisor has under this Agreement. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisor in compliance with this Agreement.

9.6 Website. Franchisor and its affiliate have developed and maintain a website relating to The Original Rainbow Cone Businesses ("The Original Rainbow Cone Website"). Franchisor and its affiliates may market and sell from The Original Rainbow Cone Website various products and services worldwide that may compete with Franchisee and other franchisees within and outside the Protected Area. The Original Rainbow Cone Website as it may be developed and changed from time to time is Franchisor's sole property or the sole property of its affiliate. Franchisor may provide to Franchisee a page on or linked to The Original Rainbow Cone Website.

9.7 National Accounts. Franchisor may, but is not obligated to, develop various National Accounts under a National Accounts Program, for specific services such as catering. Franchisor, in its sole discretion, shall determine the best method of pursuing, negotiating with and servicing National Accounts, and shall establish the terms for each National Account contract in its sole discretion, based on the needs of the National Account and its customers, Franchisor, the System and the Franchisor's franchisees. A "National Account" as used herein is a business, institution, governmental agency or other person or entity that either itself or through common ownership, association or independent contractors, has multiple locations in a number of geographic areas that fall within multiple franchise territories, has ongoing demands for products and services that in a number of geographic areas or that exceed the capability of any single Franchised Business, and/or prefers a single contact in order to control pricing, billing, customer satisfaction, and/or similar requirements. In order to participate in the National Accounts Program, Franchisee must (i) be and remain in

compliance under this Agreement, and (ii) agree to comply with Franchisor's published standards, policies and procedures for participation in the National Accounts Program as they may be modified and supplemented from time to time. Further, in order to provide services to a particular National Account, Franchisee must comply with the requirements of that particular National Account. Franchisee shall have the right to decline participation in the National Accounts Program or with respect to a particular National Account. Regardless of any other provisions of this Agreement, Franchisor grants to Franchisee no territorial rights of any kind whatsoever in connection with the National Accounts Program. Franchisee agrees that Franchisor and third parties designated by Franchisor may solicit prospective National Accounts located within Franchisee's Protected Area in order to develop them as National Accounts. Further, in the event that Franchisee declines to participate in the National Accounts Program, declines to service any National Account location within Franchisee's Protected Area, or are prohibited from providing services to the National Account location within Franchisee's Protected Area pursuant to the standards, policies and procedures of the National Accounts Program or the requirements of a particular National Account, Franchisor, its affiliates or designated agents or other franchisees may provide services at National Account locations or to National Account customers located within Franchisee's Protected Area without violating Franchisee's rights to the Protected Area. Franchisee shall not be entitled to any compensation with respect to services provided to any National Account location or customer within Franchisee's Protected Area after Franchisee has declined to provide such service or Franchisee is prohibited to provide such services pursuant to the standards, policies and procedures of the National Accounts Program or the contract with any particular National Account. If Franchisor will be providing administrative, billing and/or collection services with respect to any National Account, Franchisor has the right to charge Franchisee a reasonable administrative fee for such services.

X. DUTIES OF FRANCHISEE

10.1 Maintenance and Renovation of the Franchised Business. Franchisee understands and acknowledges that every detail of the System is important to Franchisor, Franchisee and other franchisees so as to develop and maintain high and uniform operating standards, to increase the demand for The Original Rainbow Cone products and services and to protect the reputation and goodwill of Franchisor, the System and the Marks. Accordingly, Franchisee agrees that:

(a) Franchisee shall maintain, at all times during the Term, at Franchisee's expense, the premises of the Franchised Business and all fixtures, furnishings, signs, systems and equipment, in conformity with Franchisor's high standards and public image and to make such additions, alterations, improvements, repairs, and replacements (but no others, without Franchisor's prior written consent) as may be required by Franchisor from time to time, including but not limited to the following, at Franchisee's sole cost and expense:

i. To keep the Franchised Business in the highest degree of cleanliness, sanitation and repair, including but not limited to such periodic repainting, repairs or replacement of damaged or obsolete, furniture, fixtures and equipment, and replacement of obsolete signs, as Franchisor may reasonably direct;

ii. To meet and maintain the highest governmental standards and ratings applicable to the operation of the Franchised Business; and

iii. For the Franchised Business to be able to offer new products or services or to permit the Franchised Business to operate more efficiently.

(b) In addition to the maintenance described in (a) above, Franchisee must complete a full reimagining, renovation, refurbish and modernization of the Franchised Business, within the time frame required by Franchisor, including the building design, parking lot, landscaping,

equipment, point of sale system, signs, interior and exterior decor items, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies and other products and materials, to meet the then-current design criteria for Buona Businesses, including but not limited to such structural changes, remodeling and redecoration and such modifications to existing improvements as may be necessary to do so (a “**Franchised Business Renovation**”). Franchisee shall only be required to conduct a Franchised Business Renovation once during the Term and shall not be required to perform a Franchised Business Renovation if there is less than one (1) year remaining in the Term. Nothing herein shall be deemed to limit Franchisee's other obligations during the Term to operate the Franchised Business in accordance with Franchisor's standards and specifications for the System including but not limited to the obligations set forth in this Article X.

10.2 System Compliance. Franchisee shall operate the Franchised Business in strict conformity with such uniform methods, standards and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing to insure that the highest degree of quality, service and cleanliness is uniformly maintained, and Franchisee shall refrain from any deviation from such methods, standards and specifications, and shall refrain from otherwise operating in any manner which reflects adversely on Franchisor's name and goodwill or on the Marks or the System. In connection therewith, Franchisee agrees as follows:

(a) To maintain in sufficient supply, and use at all times, only such ingredients, products, materials, supplies, and paper goods that conform to Franchisor's standards and specifications, and to refrain from deviating from such standards and specifications by using nonconforming items, without Franchisor's prior written consent, which Franchisor may withhold in its sole discretion;

(b) To sell or offer for sale only such products and menu items that have been expressly approved for sale in writing by Franchisor, and that meet Franchisor's uniform standards of quality and quantity and have been prepared in accordance with Franchisor's methods and techniques for product preparation, including Franchisor's recipes, cooking techniques and processes as designated in the Operations Manual. Franchisee shall not alter, dilute, substitute, or otherwise change the quality or composition of any ingredients and materials. Franchisee acknowledges that such recipes, cooking techniques and processes are integral to the System and failure to adhere to such recipes, cooking techniques and processes (including the handling and storage of both ingredients and fully prepared menu items) shall be detrimental to the System and Marks;

(c) To sell or offer for sale the minimum menu items specified in the Manual or otherwise in writing;

(d) To refrain from any deviation from Franchisor's standards and specifications for preparing, serving or selling the menu items, without Franchisor's prior written consent, which Franchisor may withhold in its sole discretion;

(e) Upon thirty (30) days' written notice from Franchisor, to sell or offer for sale only such food products or beverages produced by Franchisor's designated food or beverage suppliers in accordance with Section 10.3 below, and to discontinue selling or offering for sale such items as Franchisor may, in its discretion, disapprove in writing at any time in its sole discretion;

(f) To use the premises of the Franchised Business solely for the purpose of conducting the Franchised Business, and to conduct no other business or activity from the premises, whether for profit or otherwise, without Franchisor's prior written consent, which Franchisor may withhold in its sole discretion;

(g) To keep the Franchised Business open and in normal operation during such business hours as Franchisor may prescribe from time to time in the Manual or otherwise in writing;

(h) To permit Franchisor or its agents, at any time during ordinary business hours, to remove from the Franchised Business samples of any ingredients, products, materials, supplies and paper goods used in the operation of the Franchised Business, without payment, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether such samples meet Franchisor's then-current standards and specifications. In addition to any other remedies Franchisor may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if any such ingredient, products, materials, supplier or paper goods have been obtained from a supplier not approved by Franchisor, or if the sample fails to conform to Franchisor's specifications;

(i) To purchase, install and construct, at Franchisee's expense, all improvements, furniture, fixtures, equipment and signage specified in the approved standard plans and specifications, and such other furnishings, fixtures, equipment and signage as Franchisor may direct from time to time in the Manual or otherwise in writing, and to refrain from installing or permitting to be installed on or about the premises of the Franchised Business, without Franchisor's written consent, any improvements, furniture, fixtures, equipment or signage not first approved in writing by Franchisor in its sole discretion;

(j) To comply with and obey all applicable civil and criminal laws, ordinances, rules, regulations, rulings and orders of public authorities of every nature which in any way regulate or affect the operation of the Franchised Business including but not limited to obtaining all required food handling and other permits, certificates, business licenses, health department approvals and similar items;

(k) To pay promptly all taxes and business expenses; and

(l) To comply with all laws, ordinances, rules and regulations, rulings and orders of public authorities covering occupational hazards, accommodations for the disabled and equal access laws including but not limited to the Americans with Disabilities Act, workers' compensation insurance, and unemployment insurance.

10.3 Purchase of Products and Services; Designated and Approved Suppliers. The reputation and goodwill of The Original Rainbow Cone Businesses is based on, and can be maintained only by, the provision and sale of high-quality services and products and the provision, presentation and packaging of those services and products in an efficient and appealing manner. Franchisor has developed standards and specifications for various services, products, furniture, fixtures, signs, equipment and supplies incorporated in or used in connection with the services and products authorized for sale at The Original Rainbow Cone Businesses. Franchisor has also developed standards and specifications for suppliers of certain of the above products and services, including standards and requirements relating to product quality, prices, consistency, safety, reliability, financial capability, and customer relations. Franchisor will provide Franchisee with a list of designated and approved suppliers. Franchisee must purchase all fixtures, furniture, signs, equipment, and other equipment, materials, products and supplies, and certain services, including but not limited to design and architectural services, from distributors and suppliers that Franchisor has designated or approved (which may include Franchisor or its affiliates) and/or that conform to Franchisor's specifications and standards.

If Franchisor or an affiliate is a designated or an approved supplier, Franchisor has the right to make a profit on the sale of products or services to its franchisees. Franchisor reserves the right to receive rebates from any suppliers Franchisor has designated or approved.

Franchisor may approve a single distributor or supplier for any product or service and may approve a supplier only as to certain products or services. Franchisor may concentrate purchases with one or more

suppliers to obtain lower prices or the best advertising support or services for any group of The Original Rainbow Cone Businesses franchised or operated by Franchisor or an affiliate. Franchisor may, if it chooses, take advantage of discounts offered by a supplier in connection with the acquisition of large quantities of products and resell these products at a profit to franchisees. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending Franchisor's continued evaluation of the supplier from time to time.

Franchisor may from time to time modify the list of designated suppliers, list of approved suppliers and list of approved products, furniture, fixtures, signs, play equipment, and other equipment, materials and supplies, and Franchisee may not, after receiving written notice of modification of the lists, reorder any such items that are no longer approved or reorder from a supplier that is no longer approved. If Franchisee would like to purchase any of the foregoing items of any brand, type or supplier which is not them approved, Franchisee must submit to Franchisor a written request for approval of the proposed product or supplier and such other information as Franchisor requires. Franchisor has the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered, at Franchisor's option, either directly to Franchisor or to any independent, certified entity which Franchisor designates for testing. Franchisor has the right to charge Franchisee or the supplier a non-refundable fee to cover its costs of inspection and testing incurred in making such determination. Franchisor reserves the right to periodically re-inspect the facilities and products of any approved supplier and to revoke Franchisor's approval if the supplier does not continue to meet any of Franchisor's criteria. Franchisor will, within a reasonable time, notify Franchisee of whether or not the proposed product and/or supplier is approved.

Franchisee must use only signs, promotional supplies, branded merchandise, cups, boxes, bags, napkins, wrappers and other packaging, and any other items imprinted with the Marks ("Trademarked Products") as Franchisor prescribes from time to time. Franchisee must purchase the imprinted items only from designated suppliers licensed by Franchisor to duplicate the Marks on such items.

Franchisee will at all times maintain an inventory of approved products, materials and supplies in sufficient quantity and variety to realize the full potential of The Original Rainbow Cone Business.

10.4 Proprietary Products. In order to protect Franchisor's trade secrets and to monitor the manufacture, packaging, processing and sale of proprietary products ("Proprietary Products"), Franchisor or an affiliate shall (i) manufacture, supply, and sell Proprietary Products to its franchisees, and/or (ii) disclose the formulae for and methods and preparation of the Proprietary Products to a limited number of suppliers who shall be authorized by Franchisor to manufacture Proprietary Products to Franchisor's precise specifications and sell Proprietary Products to its franchisees. Franchisee acknowledges that Franchisee may be required to purchase and use Proprietary Products from Franchisor or a limited number of suppliers so authorized by Franchisor in the operation of The Original Rainbow Cone and that Franchisee shall be required to maintain a sufficient inventory of the Proprietary Products as specified by Franchisor for The Original Rainbow Cone Businesses. Franchisor and/or its affiliates may profit from the sale of Proprietary Products to franchisees.

10.5 Advertising Standards; Approval Procedures. All local advertising by Franchisee shall be in such media and of such type and format as Franchisor may approve in its sole discretion, shall be conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may specify from time to time. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in this Section. All advertising and promotional plans proposed to be used by Franchisee, except such plans and materials that have been previously approved by Franchisor, shall be submitted to Franchisor for Franchisor's written approval (except with respect to prices to be charged) prior to any use thereof. Franchisor shall endeavor to complete its review of Franchisee's proposed advertising and promotional plans within thirty (30) days after Franchisor

receives such plans. If written approval is not received by Franchisee from Franchisor within thirty (30) days after receipt by Franchisor of such plans, Franchisor shall be deemed to have disapproved such plans. Franchisee agrees to cooperate with Franchisor in displaying Franchisor's franchising information within the premises of the Franchised Business or on local advertising used by Franchisee and Franchisee will not be entitled to any compensation for displaying any such information at Franchisor's request.

10.6 Delegation of Operating or Managing Duties. If at any time Franchisee proposes for the Franchised Business to be operated or managed by an Entity or individual other than Franchisee, Franchisor reserves the right to review and approve the operating or managing entity or individual and to require and approve an operating or management agreement prior to such party's assumption of operations. Franchisor may, in its sole discretion, reject the operating entity, the individual operator or the operating or management agreement. If approved by Franchisor, the operating entity and/or individual shall agree in writing to attend all training required by Franchisor and to comply with all of Franchisee's obligations under this Agreement as though such party were the franchisee designated therein, on such form as may be designated by Franchisor. The operation of the Franchised Business by any party other than Franchisee, without Franchisor's prior written consent, shall be deemed a material default of this Agreement for which Franchisor may terminate this Agreement pursuant to the provisions of Section 16.

10.7 Staffing. Franchisee agrees to staff the Franchised Business with the number of managers, assistant managers and employees sufficient to operate the Franchised Business in compliance with this Agreement and the standards and specifications in the Manual and to provide proper customer service during all hours of operation. Franchisee shall hire all employees of the Franchised Business, be exclusively responsible for complying with all employment laws and for all employment decisions and functions related to the operation of the Franchised Business, including hiring, firing, compensation, benefits, work hours, work rules, recordkeeping, supervision and discipline of employees. Franchisee shall implement a training program for said employees in compliance with Franchisor's requirements. Franchisee and Franchisor acknowledge that the employees of the Franchised Business are employees of Franchisee and not employees of Franchisor, that they should not be held out to third parties to be employees of Franchisor, and that Franchisee has the sole right to control employment and personnel policies and the day-to-day operations of the Franchised Business. Franchisee shall notify and communicate clearly with its employees in all dealings, including without limitation, employment applications, written and electronic correspondence, paychecks, employee handbooks, employment policies and procedures, and other written materials that Franchisee (and only Franchisee) is their employer and that Franchisor is not their employer.

10.8 Catering and Delivery Services. Franchisee shall offer and sell the following services in accordance with Franchisor's current standards, specifications and procedures as set forth in the Manual or otherwise in writing.

(a) Franchisee shall offer catering services to customers from the Franchised Business. In providing catering services, Franchisee shall (i) comply with all applicable health, sanitation, food handling, and food transportation requirements in connection with offering catering services, and (ii) shall purchase and maintain such vehicles, equipment and supplies necessary to offer catering services in compliance with Franchisor's standards, specifications and procedures. Franchisee shall restrict such activities to the geographic area that Franchisor designates, which geographic area may differ from the Protected Area and may be adjusted by Franchisor from time to time in its discretion. Franchisor shall have the right to revoke Franchisee's right to offer and sell catering services if Franchisor determines in its sole discretion that Franchisee is not maintaining Franchisor's standards, specifications and procedures for catering or not complying with all applicable health, sanitation, food handling, and food transportation requirements, or if Franchisor determines in its sole discretion that offering such additional services is having an adverse impact on the quality of the operation of the Franchised Business.

(b) Franchisee shall offer delivery to customers through Third Party Delivery Services unless such services are not available in Franchisee's market. A "Third Party Delivery Service" as used herein shall mean a company or business through which customers purchase menu items from the Franchised Business, that delivers said menu items to the customer at a location other than the Franchised Business, and which typically charges the Franchisee a fee for this service which may be automatically deducted from the funds that are collected from the customer prior to disbursement of the funds by the Third Party Delivery Service to the Franchisee. Current examples of Third Party Delivery Services include, but are not limited to GrubHub, DoorDash, UberEats, ezCater. Franchisee shall, within seven (7) days of selling any menu items for the first time through a Third Party Delivery Service company, inform Franchisor in writing of the name of said company, and furnish Franchisor with access information to the websites of any Third Party Delivery Service being used in order to enable Franchisor to verify Franchisee's Gross Sales from all sources. This obligation shall apply to each Third Party Delivery Service company that submits an order to Franchisee's Store for the first time. Franchisor reserves the right to approve or disapprove any particular Third Party Delivery Service based on whether the service provided by the Third Party Delivery Service meets Franchisor's specifications and standards. Franchisee may be required to obtain and use software and/or applications required by Franchisor for the use of Third Party Delivery Services.

10.9 Security Agreement. In order to secure the prompt performance by Franchisor of the obligations of this Agreement, Franchisee hereby grants Franchisor a security interest in all rights, entitlements, licenses and interests granted under this Agreement or otherwise inuring to Franchisee by reason hereof, and all goods, wares, products, inventory, accounts, proceeds, furniture, equipment, fixtures, commercial tort claims, general intangibles and all other personal property interests of Franchisee arising or used in connection with the Franchised Business, whether at the Approved Location or elsewhere, and whether now owned or hereafter acquired by Franchisee. This Agreement shall, in and of itself, constitute a Security Agreement within the meaning of the Uniform Commercial Code. In addition, and as a supplement to this Agreement, Franchisee shall execute Franchisor's standard Security Agreement as set forth in Exhibit F to this Agreement. In order to perfect the security interest granted hereby and by the Security Agreement attached hereto, Franchisee authorizes Franchisor to file any financing statement, continuation statement, statement of amendment, other statement or filing used or useful under the Uniform Commercial Code, including any amendment or replacement thereof, to perfect Franchisor's security interest as provided herein.

10.10 Computer/Point-of-Sale System Requirements. (a) Franchisee shall be required to purchase and use a point-of sale system, computer system and/or web-based platforms, including a customer order processing and inventory control system and/or cash register and credit/debit card system as specified by Franchisor in the Manual or otherwise in writing, and pay all associated fees. Franchisee is responsible for becoming proficient in the use of any required point-of-sale, computer systems and/or web-based platforms and software. Franchisor shall have the right to access, for any purpose or use related to the operation, management and/or monitoring of the System, any information or reports generated or stored by the required point-of-sale system, computer systems and/or web-based platform. Franchisor shall have the right to require Franchisee to replace any of the components of Franchisee's point-of-sale and/or computer systems if Franchisee deems the component to be (a) undersized or otherwise insufficient of the efficient operation and management of the Franchised Business, or (b) incompatible with Franchisor's computer system or the computer system that Franchisor designates for the franchise network use. Throughout the term of this Agreement, Franchisee shall be responsible for maintaining and upgrading as necessary all point-of-sale and/or computer hardware and software required to be used in the operation of the Franchised Business and shall be solely responsible for any and all consequences of not doing so.

(b) If Franchisor develops and custom designs a software program and hardware system for conducting accounting, inventory, point-of-sale or marketing functions and/or other activities related to the Franchised Business (hereinafter "Software Program"), Franchisee agrees to implement the Software

Program into the Franchised Business, and to comply with all specifications and standards prescribed by Franchisor regarding the Software Program as provided from time to time in the Manual. At such time as Franchisor requires the implementation of such Software Program, Franchisee shall only utilize the Software Program as prescribed by Franchisor. At such time as Franchisor requires the implementation of such Software Program, Franchisee shall be required to purchase, lease or license the designated Software Program, to purchase or lease specified computer hardware compatible with the Software Program requirements and contract for on-going service, maintenance and support for such hardware and Software Program at terms designated by Franchisor or its suppliers.

(c) Throughout the term of this Agreement, Franchisee must maintain an active e-mail account and use the e-mail address provided by Franchisor for promoting and operating the Franchised Business and for communicating with Franchisor. Franchisee must have and maintain high-speed access to the Internet for promoting and operating the Franchised Business and for communicating with and receiving information from Franchisor in the manner Franchisor designates, including but not limited to system-wide area computer networks, intranet system or extranet system. Franchisee shall use any system-wide computer network or intranet or extranet system in compliance with the Manual.

(d) Franchisee shall be solely responsible for protecting Franchisee's point-of-sale and computer systems from viruses, computer hackers and other computer-related and technology-related problems, and Franchisee releases Franchisor from all claims it may have as result of viruses, hackers or other computer-related or technology-related problems.

(e) Franchisee shall make arrangements for and accept payments systems which Franchisee designates from time to time, as part of the operation of the Franchised Business, including but not limited to credit card payments through Visa, MasterCard, and other credit card and debit card issuers and sponsors, check verification services, electronic funds transfer systems, mobile payment systems, and system-wide gift card programs. Franchisee's point-of-sale system and related payment processing systems must be compliant with current Payment Card Industry Data Security standards, all applicable data privacy laws, and any procedures required by the Manual to prevent credit card fraud. Franchisee shall defend at its own cost and indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees and agents, from and against any and all loss, costs, expenses (including attorneys' fees), taxes, damages and liabilities, however caused, resulting directly or indirectly from Franchisee's failure to comply with Payment Credit Industry Data Security Standards or data privacy laws.

10.11 Gift Cards/Loyalty Programs. Franchisee agrees:

(a) to offer for sale gift cards and/or the loyalty program, which must be in the form and version designated by Franchisor ("Official Gift Card/Loyalty Program"), as it may be amended from time to time;

(b) not to offer for sale or give away any form of Gift Card or Loyalty Program other than the Official Gift Card/Loyalty Program;

(c) not to create Franchisee's own Gift Card or Loyalty Program;

(d) to accept and honor the Official Gift Card/Loyalty Program in exchange for product when presented for redemption at Franchisee's Store;

(e) to obtain and maintain whatever is the currently designated equipment and/or software necessary to process the authorized Gift Cards/Loyalty Program, which may be through a Mobile Application; and

(f) to comply with any policy promulgated by Franchisor regarding changes to the form and use of Gift Card/Loyalty Program, including transition periods for the phasing in of modifications to the Official Gift Card/Loyalty Program.

10.12 Appearance, Customer Service and Customer Reimbursement. Franchisee, its managers, employees and agents shall (i) maintain a clean and attractive appearance, including wearing uniforms required by Franchisor for brand recognition, (ii) give prompt, courteous, and efficient service to the public and (iii) otherwise operate the Franchised Business in strict compliance with the policies, practices, and procedures set forth in this Agreement and contained in the Manual, in order to preserve, maintain and enhance the reputation and goodwill of the System. Franchisee may not alter, change, or modify the System, the Franchised Business, the products, supplies or equipment in any way without the prior written consent and approval of Franchisor, which Franchisor may withhold in its sole discretion. Franchisor reserves the right to establish maximum resale prices for use with multi-area marketing programs and special price promotions. If Franchisor is contacted by a customer or other patron of the Franchised Business who wishes to lodge a complaint, Franchisor reserves the right to address the complaint in order to preserve goodwill and prevent damage to the brand. Franchisor's right to address complaints may include refunding money to the complaining customer in Franchisor's sole discretion, in which case Franchisee will reimburse Franchisor for all such amounts.

10.13 Protection of Brand. Franchisee agrees to the following acknowledging that Franchisor must protect the brand and image of all The Original Rainbow Cone Businesses for the protection of Franchisor's Marks and the franchise system:

(a) Food Borne Illness and other Public Health or Safety Issues. Franchisor has the right to require Franchisee to close its Franchised Business if Franchisor determines that Franchisee's Franchised Business has deficiencies relating to food safety and cleanliness or other public health and safety issues. Franchisee may not reopen the Franchised Business until Franchisor has re-inspected the Franchised Business and determined that it meets Franchisor's standards. In the event of an outbreak of a food borne illness, or any other public health or safety issue that potentially could negatively impact Franchisor's Marks and brand, Franchisee must immediately notify Franchisor of such event, but no later than the next day following the occurrence. Further, Franchisee is strictly prohibited from speaking or communicating with the media in the event of an outbreak of a food borne illness or any other public health or safety issue, whether at Franchisee's Franchised Business or at any other The Original Rainbow Cone Business. Franchisor has the right to be the sole spokesperson on these issues.

(b) Restrictions Against Potentially Offensive Items. Franchisee is prohibited from displaying in the Franchised Business, or allowing any employees to wear, items that are potentially offensive to customers or other employees. By way of example only and not limiting the scope or applicability of this provision, such items include those that express any religious, political, or personal views. The Franchisor's determination in this regard shall be final.

(c) Anti-Discrimination. Franchisee shall not discriminate against any employees or against any customers (in the products or services that Franchisee provides or by refusing to provide products or services) on the basis of race, color, religion, age, sex, sexual orientation, gender identity, marital status, national origin, or disability. Franchisee will further comply with any anti-discrimination policies in the Manual.

10.14 Technology Use and Restrictions. (a) the terms website, Social Media, Mobile Application and Digital Marketing are defined as follows for purposes of this Agreement:

(i) Website. As used in this Agreement, a "website" is a collection of related web pages, including multimedia content, which is accessible via the Internet, that Franchisor operates or authorizes others to operate and that

refers to The Original Rainbow Cone Businesses, the Marks, Franchisor and/or the System.

- (ii) Social Media. As used in this Agreement, the phrase "Social Media" means interactive computer-mediated technologies that facilitate the creation and sharing of information, ideas, interests and other forms of expression via virtual communities and networks, such as Facebook, You Tube, LinkedIn, Twitter, Instagram, Pinterest, blogs, or other similar communication methods.
- (iii) Mobile Application. As used in this Agreement, a "Mobile Application" or Mobile App is a software application designed for use on mobile devices, such as smartphones and tablets, rather than desktop or laptop computers.
- (iv) Digital Marketing. As used in this Agreement, "Digital Marketing" means the integrated marketing services used to attract, engage and convert customers online. Digital Marketing utilizes multiple channels such as content marketing, influencer marketing, SEO, social media and online advertising to help brands connect with customers.

(b) In connection with any Website, Social Media and/or Digital Marketing, Franchisee agrees as follows:

- (i) Franchisee is strictly prohibited from establishing or maintaining any Websites, Social Media accounts or domain names which incorporate any of the Marks, name or initials into its web address. Franchisee is prohibited from establishing websites or domain names linking to Franchisor's websites without the prior written authorization of Franchisor.
- (ii) Franchisor will have the sole right to create, establish, own, and control The Original Rainbow Cone Website and any page for Franchisee's Franchised Business linked to The Original Rainbow Cone Website.
- (iii) Franchisor will have the sole right to create, establish, own, and monitor all Social Media postings for Franchisee's Franchised Business. Franchisee may participate in the content and maintenance of Social Media for Franchisee's Franchised Business, only in accordance with Franchisor's guidelines, specifications, standards, policies and procedures on Social Media that Franchisor may issue from time to time in the Manual or otherwise, and subject to Franchisor's right to alter or delete postings made by Franchisee.
- (iv) Franchisor will have the sole right to control all aspects of Digital Marketing, including those related to Franchisee's Franchised Business. Unless Franchisor consents otherwise in writing, Franchisee may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or is related to Franchisee's Franchised Business. If Franchisor does give Franchisee written consent to conduct any Digital Marketing, Franchisee must do so in compliance with Franchisor's guidelines, specifications, standards, policies or procedures on Digital Marketing that Franchisor may issue from time to time in the Manual or otherwise in writing.

(c) Franchisor will have the sole right to develop Mobile Applications using the Marks and relating to the operation of the Franchised Business. Franchisor may require that Franchisee participate

and use any Mobile Applications designated by Franchisor and must do so in compliance with Franchisor's guidelines, specifications, standards, policies or procedures on Mobile Applications that Franchisor may issue from time to time in the Manual or otherwise in writing.

10.15 Mystery Shopper Program. Franchisee must participate in any mystery shopper program established by Franchisor from time to time for the purpose of monitoring service and product quality, assessing compliance with the System, and/or measuring customer satisfaction in The Original Rainbow Cone Businesses. Franchisor will cover the expenses of the mystery shopper program; however, in the event that Franchisee does not achieve a passing score for any mystery shop visit in accordance with the requirements set forth in the Operations Manual, Franchisor shall conduct a re-inspection after a reasonable time and Franchisee shall pay for the cost of the re-inspection, either reimbursing Franchisor for the costs it incurs in sending a representative to conduct the re-inspection (compensation for the representative and travel costs) or in paying the amount charged by a third party service.

10.16 Quality Assurance Audits. Franchisee shall grant to Franchisor, its representatives and third party vendors designated by Franchisor the right to enter upon the premises of the Franchised Business at any time during ordinary business hours and without advance notice for the purpose of conducting inspections of the Franchisee's The Original Rainbow Cone Business and its operations. Franchisee shall cooperate with Franchisor's representatives or vendors and permit them to (1) inspect the premises and the equipment; (2) observe the operations of the Franchised Business for such consecutive or intermittent periods as they deem necessary, including the taking of photos and/or videos; (3) interview employees of the Franchisee; (4) interview customers of The Original Rainbow Cone Business; and (5) to select inventory items, products, materials and supplies for testing and evaluation. Without limiting Franchisor's other rights under this Agreement, Franchisor may require Franchisee to take such steps as may be necessary immediately to correct the deficiencies detected during any such inspection, including but not limited to immediately desisting from the further use of any practice or procedure, equipment or supplies, products or preparation methods, promotional materials, or other items or services that do not conform with Franchisor's then-current specifications, standards or requirements. Further, if Franchisor requires Franchisee to take steps to correct the deficiencies during an inspection, Franchisor shall conduct a re-inspection after a reasonable time to determine if the deficiencies have been corrected. Franchisee shall pay for the cost of a re-inspection (compensation for the representative and travel costs) or in paying the amount charged by a third party service.

XI. MARKETING

11.1 Marketing Fund. Franchisor administers a national marketing fund ("Marketing Fund"). Franchisee's required contributions to the Marketing Fund is set forth in Paragraph 3.3 of this Agreement.

Franchisor will be entitled to direct all advertising, marketing and promotional programs financed by the Marketing Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. Franchisee agrees that the Marketing Fund may be used to pay the costs of preparing and producing video, audio, digital and written advertising materials; administering national, regional or local advertising programs including, without limitation, direct mail and other media advertising, and employing advertising agencies to assist in those activities; establishing and maintaining The Original Rainbow Cone Website; internet-based advertising and marketing programs, developing and maintaining other presence on the Internet, including reputation management and system-wide online programs for customer ordering and loyalty rewards program; intranet development supporting public relations; market research and marketing activities; providing advertising, marketing and promotional materials to The Original Rainbow Cone Businesses; and any and all other activities for the purpose of promoting the Marks and The Original Rainbow Cone Businesses. The Marketing Fund will furnish Franchisee with approved advertising, marketing and promotional materials at its direct cost of producing those materials.

The Marketing Fund will be a separate and distinct account and will be accounted for separately from the other funds of the Franchisor and will not be used to defray any of Franchisor's general operating expenses,

except for any reasonable salaries, administrative costs and overhead Franchisor may incur in activities reasonably related to the administration of the Marketing Fund and its advertising, marketing and promotional programs (including, without limitation, conducting market research, preparing advertising, marketing and promotional materials, and collecting and accounting for contributions to the Marketing Fund). Franchisor may spend in any fiscal year an amount greater or less than the total contribution of The Original Rainbow Cone Businesses to the Marketing Fund in that year. Franchisor may cause the Marketing Fund to borrow from Franchisor or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising, marketing and promotional costs of the Marketing Fund before other assets of the Marketing Fund are expended. Franchisor will prepare an annual statement of monies collected and costs incurred by the Marketing Fund and will furnish it to Franchisee on written request.

Franchisee understands and acknowledges that the Marketing Fund is intended to maximize recognition of the Marks and patronage of The Original Rainbow Cone Businesses. Although Franchisor will endeavor to use the Marketing Fund to develop advertising, marketing and promotional materials, and to place advertising in a manner that will benefit all The Original Rainbow Cone Businesses, Franchisor undertakes no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by The Original Rainbow Cone Businesses operating in that geographic area or that any The Original Rainbow Cone Business will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising, marketing and promotional materials or the placement of advertising. Except as expressly provided in this Section 11.1, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction, or administration of the Marketing Fund.

Franchisor reserves the right, in its sole discretion, to terminate or discontinue the Marketing Fund upon thirty (30) days' notice to Franchisee. All unspent monies on the date of termination or discontinuance shall be distributed to franchisees of Franchisor in proportion to their respective contributions made to the Marketing Fund during the previous twelve (12) month period. Franchisor shall have the right to reinstate the Marketing Fund upon the same terms and conditions herein set forth upon thirty (30) days' prior written notice to Franchisee.

11.2 Local Advertising. Beginning on the date of opening of the Franchised Business, in addition to the requirement for Franchisee to contribute to the Marketing Fund, each Period Franchisee must spend a minimum of two percent (2%) of the Gross Sales of the Franchised Business on local advertising, marketing and promotion. Such expenditures will be made directly by Franchisee, subject to Franchisor's approval and direction. At Franchisor's request, Franchisee must furnish to Franchisor in a manner approved by Franchisor an accurate accounting of Franchisee's local advertising and marketing expenditures for each Period.

11.3 Grand Opening Advertising and Marketing. Within the first ninety (90) days following the opening of the Franchised Business, Franchisee must spend on conducting an advertising and marketing campaign to promote the grand opening of the Franchised Business a minimum of Ten Thousand Dollars (\$10,000.00). Grand opening monies will be spent on social media, print, radio, digital advertising and/or other advertising or promotions that Franchisor and Franchisee agree is best suited for Franchisee's grand opening campaign. The grand opening advertising and marketing shall be conducted in accordance with the Manual and/or other written guidelines Franchisor may issue on initial advertising and promotion.

11.4 Co-operative Advertising. Franchisee shall join and participate in any local advertising co-operative which has been or may be formed consisting of franchisees and/or Franchisor-owned or Affiliate-owned The Original Rainbow Cone Businesses in Franchisee's area or region. Franchisee agrees to contribute to the cooperative in the amount and manner agreed upon by a majority of the members of the cooperative. Contributions made by you to the cooperative will be credited to your local advertising expenditure requirements in Section 11.2 above. Each of The Original Rainbow Cone Businesses in the cooperative, whether franchised or company-owned or affiliate-owned, shall have one vote in the cooperative. Franchisor

assumes no direct or indirect liability or obligation to Franchisee or to any local co-operative with respect to the maintenance, direction, or administration of the cooperative, including without limitation, any failure by any franchisees to make any contributions to the cooperative.

XII. INSURANCE

12.1 Insurance Program. Franchisee shall procure, by the deadlines listed in Section 12.2, and shall maintain in full force and effect during the Term at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, members, managers, employees, agents and invitees, against any loss, liability, or expense whatsoever from personal injury, death or property damage or casualty, including fire, lightning, theft, vandalism, malicious mischief, and other perils normally included in an extended coverage endorsement arising from, occurring upon or in connection with the construction, operation or occupancy of the Franchised Business, as Franchisor may reasonably require for its own and Franchisee's protection.

12.2 Insurance Requirements. Such policy or policies shall be written by an insurance company satisfactory to Franchisor, and shall include, at a minimum the following coverage:

(a) **Workers' Compensation Insurance**, with statutory limits as required by the laws and regulations applicable to the employees of Franchisee who are engaged in the performance of their duties relating to the Franchised Business, including any pre-opening training programs, as well as such other insurance as may be required by statute, ordinance or regulation of the state or locality in which the Franchised Business is located; Franchisor reserves the right to require that owners and executive officers not be excluded from this coverage. Such coverage must be obtained on or before the date Franchisee hires any employees.

(b) **Employer's Liability Insurance**, for employee bodily injuries, and deaths, with a limit of \$500,000 each accident; and for employee disease with a limit of \$500,000; Such coverage must be obtained on or before the date Franchisee hires any employees;

(c) **Comprehensive or Commercial General Liability Insurance**, covering claims for bodily injury, death and property damage, including Premises and Operations, Independent Contractors, Products and Completed Operations, Personal Injury, Contractual, and Broad Form Property Damage Liability coverages, to be obtained by the date the Approved Location has been determined, with limits as follows:

Occurrence/Aggregate Limit of \$1,000,000 for bodily injury, death and property damage each occurrence and \$2,000,000 for general aggregate; \$2,000,000 for Products/Completed operations in the aggregate, \$1,000,000 each occurrence; and \$1,000,000 personal advertising injury.

(d) **Comprehensive Automobile Liability Insurance**, if applicable, covering owned, non-owned and hired vehicles, to be obtained prior to the use of any vehicles in the operation of the Franchised Business, with limits as follows:

Combined Single Limit of \$1,000,000 for bodily injury, death and property damage per occurrence or Split liability limits of:

- \$500,000 for bodily injury per person
- \$500,000 for bodily injury per occurrence
- \$250,000 for property damage;

(e) **Liquor Liability Insurance** (if the Franchised Business will sell alcoholic beverages) with limits of \$1,000,000 each common cause and \$2,000,000 in the aggregate; to be obtained prior to the date the Franchised Business begins offering alcoholic beverages;

(f) **All Risk Property Insurance**, on a replacement cost basis, with limits as appropriate, covering the real property of Franchisee and any real property which Franchisee may be obligated to insure by contract. Such real property may include, but is not limited to, buildings, equipment, furniture, fixtures and inventory; Such coverage must be obtained prior to the delivery of installation of any equipment, furniture, fixtures, or inventory are delivered to the premises of the Franchised Business.

(g) **Umbrella/Excess Liability Insurance** on a Follow Form basis with a limit of \$5,000,000 per occurrence and in the aggregate with Employer's Liability, General Liability, Auto Liability and as applicable, Liquor Liability; to be obtained by the date the Approved Location has been determined;

(h) **Business Interruption Insurance**, covering Franchisee's loss of revenues and ongoing expenses and to cover any amounts due and owing to Franchisor under this Agreement, including but not limited to the royalties, Marketing Fund contributions, and technology fees that would have been made by Franchisee had the business interruption not occurred, based upon the average of receipts of the Franchised Business for the trailing twelve months prior to the interruption, in an amount not less than the actual loss resulting from an interruption of business for a minimum of twelve (12) months; to be obtained prior to the opening of the Franchised Business;

(i) **Cyber Insurance**, covering breach, system failure, extortion and crime coverage with a limit of \$1,000,000 each occurrence and in the aggregate; to be obtained prior to the installation and use of the computer system for the Franchised Business;

(j) **PCI DSS Liability** coverage with a limit of \$1,000,000 each occurrence and in the aggregate; to be obtained prior to the opening of the Franchised Business.

12.3 Additional Insurance Requirements. All such policies of insurance shall be placed with an insurance company that has a claims rating ability of at least A- from A.M. Best and shall provide that the same shall not be canceled, modified or changed without first giving thirty (30) days' prior written notice thereof to Franchisor. No such cancellation, modification or change shall affect Franchisee's obligation to maintain the insurance coverages required by this Agreement. Except for Workers' Compensation Insurance, Franchisor shall be named as an Additional Insured on a primary and non-contributory basis for ongoing and completed operations on all such required policies. Workers' Compensation Insurance, General Liability, Auto Liability, and Umbrella/Excess Liability policies shall include a waiver of subrogation in favor of Franchisor. All liability insurance policies shall be written on an "occurrence" policy form. Franchisee shall be responsible for payment of any and all deductibles from insured claims under its policies of insurance. Franchisee shall not satisfy the requirements of this Article XII unless and until certificates of such insurance, including renewals thereof, have been delivered to Franchisor. Franchisee shall not self-insure any of the insurance coverages required by this Agreement, or non-subscribe to any state's applicable workmen's compensation laws without the prior written consent of Franchisor which Franchisor may withhold. Franchisor shall have the right, at any time during the Term to increase the minimum limits of insurance coverage or otherwise modify the insurance requirements of this Agreement upon written notice in the Manual or as otherwise prescribed by Franchisor in writing. If Franchisee shall fail to comply with any of the insurance requirements contained in this Article XII, upon written notice to Franchisee by Franchisor, Franchisor may, without any obligation to do so, procure such insurance and Franchisee shall pay Franchisor, upon demand, the cost thereof plus interest at the maximum rate permitted by law, and a reasonable

administrative fee designated by Franchisor.

12.4 Primary Coverage. Franchisee agrees that all insurance policies obtained by Franchisee pursuant to this Article XII shall be primary coverage, the applicable limits of which shall be exhausted before any benefits (defense or indemnity) may be obtained under any other insurance (including self- insurance) providing coverage to Franchisor. In the event payments are required to be made under Franchisor's own insurance policies or self-insurance (whether for defense or indemnity) before the applicable coverage limits for the insurance policies obtained by Franchisee are exhausted, then Franchisee hereby agrees to reimburse, hold harmless and indemnify Franchisor and its insurers for such payments. Franchisee shall notify its insurers of this Agreement and shall use its best efforts to obtain an endorsement on each policy it obtains pursuant to this Article XI stating as follows:

The applicable limits of this policy shall be applied and exhausted before any benefits may be obtained (whether for defense or indemnity) under any other insurance (including self-insurance) that may provide coverage to Five Flavors Franchising LLC, an Illinois limited liability company. All insurance coverage obtained by Five Flavors Franchising LLC shall be considered excess insurance with respect to this policy, the benefits of which excess insurance shall not be available until the applicable limits of this policy are exhausted.

12.5 No Limitation on Coverage. Franchisee's obligation to obtain and maintain the foregoing policy or policies of insurance in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Article XIV of this Agreement.

12.6 Issuance of Insurance. Franchisee must obtain the insurance required by this Agreement no later than fifteen (15) days before the date on which any construction or build-out at the premises of the Franchised Business is commenced. The Franchised Business shall not be opened for business prior to Franchisor's receipt of satisfactory evidence that all insurance required by this Agreement is in effect. Upon obtaining such insurance, and on each policy renewal date thereafter, Franchisee shall promptly submit evidence of satisfactory insurance and proof of payment therefore to Franchisor, together with, upon request, copies of all policies and policy amendments. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days' prior written notice to Franchisor.

XIII. CONFIDENTIAL INFORMATION

13.1 Definition. For purposes of this Agreement, the term "Confidential Information" means information relating to Franchisor or the System that is not generally available to the public, including the Manual, operational standards, specifications, procedures and methods, recipes and food and preparation methods, prepared mixes, products, supplies, equipment, marketing, advertising and promotional material and methods, and accounting systems, and all other information and know-how relating to the methods of developing, operating and marketing the Franchised Business and the System. Further, Confidential Information shall include all customer information, lists, data and records of the Franchised Business. Confidential Information does not include information Franchisee can demonstrate came to Franchisee's attention through legal methods other than by disclosure by Franchisor, or which, at the time of disclosure thereof by Franchisor to Franchisee, had become a part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain, through publication or communication by others.

13.2 Maintenance of Confidential Information. During the Term, and after the expiration or termination of this Agreement, Franchisee must use its best efforts to protect the Confidential Information. Accordingly, Franchisee must not communicate, divulge, or use for the benefit of any other person, persons or entity, any part of the Confidential Information. Franchisee may divulge such Confidential Information only to such employees of Franchisee who must have access to it in order to carry out Franchisee's obligations under this Agreement and as may be required by law, provided Franchisee shall give Franchisor prior written notice of any such required disclosure by law immediately upon receipt of notice by Franchisee in order for Franchisor to have the opportunity to seek a protective order or take such other actions as it deems appropriate under the circumstances. Franchisor reserves the right to require Franchisee, or any of its owners, officers, partners, principals, managers, and employees having access to the Confidential Information to execute a confidentiality agreement or similar instrument(s) containing restrictions as those provided in this Section and, as applicable, throughout this Agreement. Such requirement shall not create an employee or joint employee relationship between Franchisor and Franchisee's employees, nor does it constitute control by Franchisor over Franchisee's employment matters.

XIV. COVENANTS

14.1 Franchisee's Best Efforts. Franchisee covenants that, during the Term, except as otherwise approved in writing by Franchisor, Franchisee or, alternatively, one designated management employee or approved agent if that employee or agent assumes primary responsibility for the operation of the Franchised Business, shall devote full time energy and best efforts to the development and promotion of the Franchised Business and to the management and operation of the Franchised Business.

14.2 Non-Competition and Non-Solicitation During Term. Franchisee acknowledges that Franchisee will receive valuable, specialized training and the Confidential Information. Franchisee covenants that, during the Term, Franchisee and any of its shareholders, officers, directors, members, managers, partners and guarantors, shall not, either directly or indirectly, for itself or themselves or on behalf of, or in conjunction with, any other person or entity:

(a) Divert or attempt to divert any business or customer of the Franchised Business to a Competitive Business (defined in Section 14.5) by direct or indirect inducements or otherwise, or to do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(b) Have any ownership in, maintain, operate, engage in, serve as a director, officer, manager, employee, consultant or representative of, grant a franchise to, advise, help, make loans to, lease property to, or have any interest in, directly or indirectly, a Competitive Business. However, this covenant shall not apply to any business operated by Franchisee under a franchise agreement with Franchisor or any of its Affiliates.

14.3 Post-Termination Covenants. Franchisee covenants that Franchisee and any of its shareholders, officers, directors, members, managers, partners and guarantors, either directly or indirectly, for itself or themselves or on behalf of, or in conjunction with, any other person or entity, regardless of the cause for termination shall not:

(a) For a period of two (2) years following the expiration or termination of this Agreement, have any ownership in, maintain, operate, engage in, serve as a director, officer, manager, employee, consultant or representative of, grant a franchise to, advise, help, make loans to, lease property to, or have any interest in, directly or indirectly, a Competitive Business that is located within a radius of 10 miles of (i) the location specified in the Approved Site Location Addendum as described in Article I or (ii) the location of any other The Original Rainbow Cone Business, whether owned by

Franchisor or any other The Original Rainbow Cone franchisee, in existence as of the date of expiration or termination of this Agreement. This restriction will not apply to the ownership of less than 2% of the outstanding shares of a publicly-traded security. Franchisee and its officers, directors, shareholders, managers, members, partners and guarantors expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting those skills. As a result, adherence to this restriction will not deprive them of their personal goodwill or ability to earn a living.

14.4 Nondisclosure and Noncompetition Agreement. Franchisee must have its shareholders, officers, directors, members, managers, partners, guarantors, supervisory and principal employees, including managers and assistant managers (as a condition to their employment), anyone Franchisee may choose to send to training, and anyone who has access to the Manual or any of Franchisor's proprietary information or Confidential Information, execute Franchisor's standard Nondisclosure and Noncompetition Agreement (which is an exhibit to the Franchise Disclosure Document and as may be updated in the Manual) before performing any work at the Franchised Business or otherwise having access to the Franchisor's proprietary information. A copy of all the signed agreements shall be delivered to Franchisor within one (1) week of their execution. The failure of Franchisee to obtain execution of such Nondisclosure and Noncompetition Agreements as required by this Section shall constitute a material breach of this Agreement.

14.5 Competitive Business. For purposes of this Article XIII, a "**Competitive Business**" is defined as any retail establishment that derives more than ten percent (10%) of its gross sales from ice cream.

14.6 Independent Covenants. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article XIV, is held unenforceable by a court or other tribunal having jurisdiction on a final decision, then Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant was separately stated in and made a part of this Article XIV.

14.7 Right to Reduce Covenants. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article XIV, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Article XIV.

14.8 Injunctive Relief. The parties acknowledge that it will be difficult to ascertain with any degree of certainty the amount of damages resulting from a breach by Franchisee of any of the covenants contained in this Article XIV. It is further agreed and acknowledged that any violation by Franchisee of any of said covenants will cause irreparable harm to Franchisor. Accordingly, Franchisee agrees that upon proof of the existence of a violation of any said covenants, Franchisor will be entitled to injunctive relief against Franchisee in any court of competent jurisdiction having authority to grant such relief, together with all costs and reasonable attorneys' fees incurred by Franchisor in bringing such action.

14.9 Interpretation. ALL PARTIES TO THIS AGREEMENT ACKNOWLEDGE THAT THIS SECTION HAS BEEN FULLY NEGOTIATED AND HAS BEEN ENTERED INTO FREELY. If any provision of this Article XIV shall be held to be invalid by any tribunal, the terms of said invalid provision shall be modified to the least possible extent to make the provision valid. This Article XIV shall not be interpreted against either party as drafter.

XV. TRANSFERABILITY OF INTEREST

15.1 Transfer by Franchisor. This Agreement shall inure to the benefit of the successors and assigns of Franchisor. Franchisor shall have the right to transfer or assign its interest in this Agreement to any person, persons or Entity. If Franchisor's assignee assumes all the obligations of Franchisor hereunder and sends Franchisee written notice of the assignment so attesting, we will have no further obligation under this Agreement, and Franchisee agrees promptly to execute a general release of Franchisor and its Affiliates, from claims or liabilities of Franchisor under this Agreement.

15.2 Transfer by Franchisee. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this Agreement in reliance on Franchisee's business skills and financial capacity. Accordingly, neither (i) Franchisee, nor (ii) any immediate or remote successor to Franchisee, nor (iii) any individual or any Entity which directly or indirectly owns any interest in Franchisee or in this Agreement, shall sell, assign, transfer, convey, donate, pledge, mortgage, or otherwise encumber any direct or indirect interest in (i) this Agreement, (ii) Franchisee, or (iii) a substantial portion of the assets of the Franchised Business without the prior written consent of Franchisor. Acceptance by Franchisor of any royalty fee, marketing fund contributions or any other amount accruing hereunder from any third party, including but not limited to any proposed transferee, shall not constitute Franchisor's approval of such party as a transferee or the transfer of this Agreement to such party. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void, and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Section 16.2(f) of this Agreement.

15.3 Conditions of Consent. Franchisor shall not unreasonably withhold its written approval of a transfer, provided Franchisee and the assignee or transferee have met all of the following conditions as determined by Franchisor in its sole discretion:

(a) Franchisee shall not be in default under this Agreement or any agreement with Franchisor and its Affiliates at the time Franchisee requests the right to transfer the franchise or at the time the Franchised Business is to actually be transferred. All accounts payable and other monetary obligations to Franchisor and its Affiliates shall be paid in full;

(b) Franchisee shall have agreed to remain obligated under the covenants contained in Article XV hereof as if this Agreement had been terminated on the date of the transfer;

(c) The transferee must be of good moral character and reputation, in the reasonable judgment of Franchisor;

(d) Franchisor shall have determined, to its satisfaction, that the transferee's qualifications meet Franchisor's then-current criteria for new franchisees;

(e) The terms and conditions of the proposed transfer, including all financial terms of the proposed transfer, shall be provided in writing to Franchisor at least fifteen (15) business days prior to the proposed effective date of the transfer, and shall be approved in writing by Franchisor;

(f) The transferee shall execute, at Franchisor's option, (i) a written assignment, in form satisfactory to Franchisor, pursuant to which the transferee shall assume all of the obligations of Franchisee under this Agreement and any other agreement relating to the Franchised Business to be transferred; or (ii) the then-current form of The Original Rainbow Cone Franchise Agreement and such other then-current ancillary agreements as Franchisor may reasonably require. The then-current form of

Franchise Agreement may contain new or significantly different terms, including but not limited to a higher royalty fee and advertising fund contribution and less territorial protection than contained in this Agreement. The then-current form of the Franchise Agreement will expire on the expiration date of this Agreement and will contain the same renewal rights, if any, as are available to Franchisee under this Agreement;

(g) Franchisee shall execute a general release in favor of Franchisor and its Affiliates of any claims it may have against Franchisor and its Affiliates, or their shareholders, officers, directors, members, managers, employees and agents, predecessors, successors and assigns relating to the Franchised Business, unconditionally releasing them from any and all claims Franchisee might have against Franchisor and its Affiliates, or their shareholders, officers, directors, members, managers, employees and agents, predecessors, successor and assigns, as of the date of the assignment;

(h) The transferee shall agree at its sole cost and expense, to complete a Franchised Business Renovation, within the time frame required by Franchisor, unless a Franchised Business Renovation was completed less than five (5) years prior to the date of the transfer, and perform such other scope of work as may be determined by Franchisor;

(i) The transferee and such other individuals as may be designated by Franchisor in the Manual or otherwise in writing, must have successfully completed the training courses then in effect for new franchisees which shall be covered by the Transfer fee paid. However, the Transferee shall be responsible for payment of any onsite training fees incurred for onsite training conducted by Franchisor after the transfer;

(j) The transferee's Entity's operating agreement, bylaws, partnership agreement or equivalent governing document shall provide that further assignments or transfers of any interest in the Entity are subject to all restrictions imposed upon assignments and transfers in this Agreement;

(k) Franchisee shall, at Franchisor's option and request, execute a written guarantee of the transferee's obligations under this Agreement, which guarantee shall not exceed a period of (3) three years from the date of the transfer;

(l) Transferee obtains an assignment of Franchisee's existing lease with the lessor's written consent or executes a new lease with the lessor for the premises of the Franchised Business and the remaining term of the assigned lease or the term of the new lease plus any renewals equals the franchise term hereunder; and

(m) Except as provided in Section 15.4 below, Franchisee shall pay to Franchisor a transfer fee equal to seventy-five percent (75%) of the then-current Initial Franchise Fee if the Transferee is a new franchisee or equal to fifty percent (50%) of the then-current Initial Franchise Fee if the Transferee is an existing franchisee of Franchisor, to cover Franchisor's administrative expenses in connection with the transfer; except that the transfer fee charged by Franchisor for a transfer described in Section 15.4 below shall be One Thousand Five Hundred Dollars (\$1,500.00). Except for a transfer as described in Section 15.4, Franchisee shall pay a non-refundable deposit on the transfer fee in the amount of Five Thousand Dollars (\$5,000.00) at the time Franchisee requests from Franchisor its written consent of the transfer and/or the Transferee.

15.4 Transfer to a New Entity or Existing Franchisee. If a proposed transfer is (i) individual owners assigning this Agreement to a newly established Entity pursuant to Section 6.1 of this Agreement; or (ii) among existing shareholders, partners or members of Franchisee, such transfer shall be subject to the conditions set forth in Section 15.3, except that Franchisor reserves the right to waive any such conditions or requirements in its sole discretion and to require the Principals of the transferee to execute

a Guaranty and Assumption of Franchisee's Obligations as required by Section 6.1.

15.5 Grant of Security Interest. Franchisee shall grant no security interest in any of its assets without the prior written consent of Franchisor and unless the secured party agrees that, in the event of any default by Franchisee under any documents related to the security interest (i) Franchisor shall be provided with notice of default and given a reasonable time within which to cure said default, (ii) Franchisor shall have the right and option, but not the obligation, to be substituted as obligor to the secured party and to cure any default of Franchisee or to purchase the rights of the secured party upon payment of all sums then due to such secured party, except such amounts which may have become due as a result of any acceleration of the payment dates based upon Franchisee's default and (iii) the secured party shall agree to such other requirements as Franchisor, in its sole discretion, deems reasonable and necessary to protect the integrity of the Marks and the System. In the event Franchisor purchases the rights of the secured party in any assets, upon payment of all sums then due to such secured party, Franchisor shall receive title to such assets. Under no circumstances that Franchisee grant a security interest in this Agreement or the franchise granted hereunder.

15.6 Transfer on Death or Mental Incapacity. Upon the death or mental or physical incapacity of any person with an interest in this Agreement as determined by a physician, the Franchised Business or Franchisee, the executor, administrator, or personal representative of such person shall transfer his interest to a third party approved by Franchisor within twelve (12) months after such death or mental incapacity. Such transfer, including but not limited to transfer by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Article XV, the personal representative of the deceased Franchisee shall have a reasonable time, but in no event more than twelve (12) months from Franchisee's death, to sell or transfer the deceased's interest in this Agreement and the Franchised Business, which sale or assignment shall be subject to all the terms and conditions for assignments and transfers contained in this Agreement. If the interest is not sold or assigned within the twelve (12) month period, Franchisor may terminate this Agreement.

Upon request by Franchisee's executor, administrator, or personal representatives, Franchisor, in its sole discretion, may agree to enter upon the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisee's executor, administrator or personal representative transfers Franchisee's interest in the Franchised Business as provided herein. Franchisee acknowledges and agrees that Franchisor's agent or other representative designated by Franchisor may take over, control and operate the Franchised Business, that Franchisee shall pay Franchisor the then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by such agent or representative so long as Franchisor is operating the Franchised Business. Franchisee further acknowledges that if Franchisee temporarily operates the Franchised Business on Franchisee's behalf under this Paragraph 15.6, Franchisee will indemnify and hold harmless Franchisor and Franchisor's agent or representative respecting any and all claims arising out of Franchisor's operation of the Franchised Business under this Paragraph 15.6. Nothing herein shall require Franchisor to operate the Franchises Business upon the request of Franchisee's executor, administrator or personal representative.

15.7 Involuntary Transfers. Involuntary transfers of this Agreement by Franchisee are not binding on Franchisor and constitute grounds for the termination of this Agreement without the opportunity to cure. Franchisee agrees that using this Agreement as security for a loan or otherwise encumbering this Agreement is prohibited, unless Franchisor specifically consents to such action in writing prior to the proposed transaction. Franchisee shall not grant a sub-franchise under this Agreement nor otherwise seek to license or permit others to use this Agreement or any of the rights derived by Franchisee under it. Any attempt to transfer this Agreement in whole or part, or any material portion or property used by Franchisee in connection with this Agreement, whether or not binding

on Franchisor, shall be grounds for the termination of this Agreement without the opportunity to cure, unless the transfer is authorized in writing by Franchisor.

15.8 Transfer by Court Order. If a court of competent jurisdiction orders an individual Franchisee to transfer to his or her spouse all or any part of Franchisee's interest in this Agreement or the Franchised Business, or any of the assets of the Franchised Business, such an order shall constitute a transfer under the terms of this Agreement and shall cause the transferee to be subject to all of the terms and conditions concerning transfers set forth in this Agreement.

15.9 Right of First Refusal.

(a) Franchisee grants to Franchisor the right, but not the obligation, to acquire the Franchised Business on the same terms and conditions specified in a bona fide written offer from a qualified third party. However, Franchisor may substitute the cash equivalent for any portion of the purchase price to be paid by non-cash consideration. Franchisor may purchase the interest for itself or assign its right without recourse to a nominee who will purchase the interest directly from Franchisee. Franchisee shall notify Franchisor in writing of the terms and conditions of each proposed transfer, including the interest proposed to be transferred, the purchase price or other consideration to be paid, any financing terms being extended by Franchisee, the date of the proposed transfer and all other pertinent provisions of the proposed sale. In addition, a copy of the contract, agreement, memorandum of sale, deposit receipt, or letter of intent shall also be forwarded to Franchisor as soon as it is received by Franchisee. Following its receipt of all pertinent data and documents concerning the proposed transfer, including any additional data concerning the transaction requested by Franchisor from Franchisee, Franchisor shall have thirty (30) days within which to advise Franchisee in writing of Franchisor's election to acquire the interest proposed to be transferred on the same terms and conditions agreed to by the prospective transferee. Should Franchisor elect to acquire the interest proposed to be transferred pursuant to its right of first refusal, Franchisee and Franchisor shall cooperate to consummate the transfer. The date for the completion of the transfer may be extended at Franchisor's option for up to thirty (30) days beyond the date originally indicated for the completion of the transfer in order to allow the completion of the transaction in a manner more convenient to Franchisor. The above right of first refusal provisions shall apply to any sale, pledge, assignment, trade or transfer of any ownership interests in the Entity.

(b) If Franchisor does not elect to purchase the interest proposed to be transferred, Franchisee may complete the proposed transfer on the terms and conditions set forth in its notice to Franchisor subject to Franchisor's right to approve the proposed transferee and the terms and conditions set forth under Section 15.3 above. However, if there are any changes in the terms and conditions of the proposed transfer after Franchisee notifies Franchisor of the proposed transfer, including any changes in the terms and conditions occurring after Franchisor notifies Franchisee of its election not to purchase the interest pursuant to its right of first refusal, Franchisee must notify Franchisor of the changes in writing and Franchisor shall have an additional thirty (30) days within which to elect to purchase the interest proposed to be transferred on the revised terms and conditions. If the proposed transfer is not completed for any reason after Franchisor elects not to purchase the interest being transferred, Franchisor's right of first refusal is reinstated as to any later proposed sales or transfers by Franchisee.

XVI. DEFAULT AND TERMINATION

16.1 Termination Without Notice Due To Insolvency. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against Franchisee and not opposed by Franchisee; if Franchisee is adjudicated bankrupt or insolvent; if a receiver or other

custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under applicable law of any jurisdiction should be instituted by Franchisee or against Franchisee and not opposed by Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's property or business; if suit to foreclose any lien or mortgage against the premises or equipment of the Franchised Business is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereon by any sheriff, marshal or constable.

16.2 No Cure Period. Franchisee shall be in default under this Agreement and Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted to Franchisee, without affording Franchisee any opportunity to cure the same effective upon receipt of notice from Franchisor to Franchisee, upon occurrence of any of the following events:

(a) Franchisee fails to have a proposed site approved by Franchisor in the time frames required in Section 6.2 here or fails to open the Franchised Business with Franchisor's approval as required in Section 6.5 herein. However, Franchisor may in its sole discretion extend this period for matters not within control of Franchisee or for other mutually agreed upon grounds;

(b) Franchisee at any time ceases to operate the Franchised Business for forty-eight (48) hours or more or otherwise abandons the Franchised Business, or loses the right to possession of the premises of the Franchised Business, or causes its lease for the premises of the Franchised Business to be terminated, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located. However, if, through no fault of Franchisee, the premises are damaged or destroyed by an event not within the control of Franchisee such that repairs or reconstruction cannot be completed within six (6) months thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate the Franchised Business and/or reconstruct the premises, which approval shall not be unreasonably withheld, provided Franchisee is not then in default under this Agreement or any other agreement between Franchisee and Franchisor or any of its Affiliates, but may be conditioned upon the payment of an agreed minimum royalty to Franchisor during the period in which the Franchised Business is not in operation;

(c) Franchisee, or any of its shareholders, members, managers, partners, officers, directors or guarantors, is indicted for, convicted of or pleads guilty to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, or the goodwill associated with the System and the Marks, or Franchisor's interest in the System or the Marks;

(d) Franchisee, or any of its shareholders, members, managers, partners, officers or directors verbally or physically assaults or abuses any other franchisee or any officer, director, member, manager or employee of Franchisor or any of its Affiliates, customer or employees of Franchisee, after receiving a verbal or written warning against this conduct from Franchisor regarding this conduct;

(e) Franchisee, or any of its shareholders, members, managers, partners, officers or directors, transfers, hypothecates, pledges, sells, or assigns all or any part of this Agreement, the Franchised Business, the Franchisee Entity or any interest in the Franchisee Entity, or any material portion of the property associated with the Franchised Business or attempts to sublicense to another party any of the rights or property licensed to Franchisee under this Agreement without first receiving written authorization from Franchisor;

(f) Franchisee, or any of its shareholders, members, managers, partners, officers, directors, guarantors or principal employees violate any provisions under the Noncompetition and Nondisclosure Agreement;

(g) Contrary to the terms of Article VII hereof, Franchisee or any of its shareholders, members, managers, partners, officers, directors or principal employees discloses or divulges the contents of the Manual or other Confidential Information, or participates in the unauthorized use of the Confidential Information;

(h) An approved transfer is not effected as required by Section 15.7, following Franchisee's death or mental incapacity;

(i) Franchisee knowingly maintains false books or records, submits any false reports to Franchisor or otherwise commits an act of fraud with respect to Franchisee's acquisition or performance of this Agreement;

(j) Franchisee or any Affiliate of Franchisee defaults under any other agreement with Franchisor or its Affiliates, or any predecessor or successor to Franchisor, including but not limited to another franchise agreement or an area development agreement, and such agreement is thereafter terminated. For purposes of this Section 16.2(k), "Affiliate of Franchisee" means a corporation, partnership or limited liability company whose equity is owned in whole or in part by (i) Franchisee, (ii) one or more of Franchisee's shareholders, partners or members, (iii) one or more parent, spouse, sibling, child or grandchild or another blood relation of a shareholder, partner or member of Franchisee, or (iv) any other entity of which Franchisee is a shareholder, partner or member.

(k) Franchisee defaults more than once in any twelve (12-) month period under Sections 16.4 or 16.5, for failure to substantially comply with any of the requirements imposed by this Agreement, whether or not cured after notice;

(l) Franchisee sells unapproved products or goods from or through the Franchised Business;

(m) Franchisee relocates the Franchised Business without obtaining Franchisor's advanced written permission as required by this Agreement; or

(n) Franchisee denies Franchisor, or its designee, the right to inspect the premises of the Franchised Business;

(o) Franchisee lease or sublease for the premises of the Franchised Business is terminated or expires and Franchisee is unable to retain possession of the premises of the Franchised Business and fails to relocate in accordance with Section 6.4;

(p) Franchisee fails to timely pay any lender to whom Franchisor has guaranteed Franchisee's obligations, or if Franchisor has entered into any financing arrangement with Franchisor (i) more than three (3) times if the default is cured, or (ii) one time if the default is not cured during the financing term; and

(q) Franchisee fails to timely pay any vendors, suppliers or the lessor of the premises of the Franchised Business more than three (3) times during the term of this Agreement;

(r) Franchisee has made any material misrepresentation or omission in its application for the franchise; and

(s) Franchisee has received three (3) or more notices for the same default during the term, regardless of whether the default was cured after receipt of notice.

16.3 Five-Day Cure Period. Except as provided in Sections 16.1, 16.2 and 16.3 of this Agreement, Franchisor shall have the right to terminate this Agreement if Franchisee commits any of the following breaches and fails to cure the same within five (5) days following Franchisor's written notice to Franchisee:

(a) Franchisee fails to pay any money owed to us, including but not limited to royalties, marketing fund contributions and any other financial obligations owed to Franchisor by Franchisee; or Franchisee fails to submit daily or weekly gross sales reports necessary for a determination of the amount of fees due;

(b) Franchisee fails to pay for any products, supplies or equipment, or fails to pay any fees or other amounts due to Franchisor, or any of its Affiliates or assigns of Franchisor, or Franchisee fails to pay third parties for amounts related to the operation of the Franchised Business within the applicable time period;

(c) Franchisee fails to submit to Franchisor such reports or other financial statements required to be delivered to Franchisor by Franchisee when due, or fails to submit any other report or statement to Franchisor or its Affiliates required by this Agreement or otherwise requested by Franchisor or its Affiliates, by its due date;

(d) A threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Franchised Business; or Franchisee violated any law, regulation, or order or any guideline set forth in the Manual relating to health, sanitation or safety;

(e) Franchisee uses the Marks in any unauthorized manner or is otherwise in default of the provisions of Article V hereof; or

(f) Franchisee fails to maintain insurance as required by this Agreement.

16.4 Thirty-Day Cure Period. Except as provided in Section 16.1, 16.2 and 16.3 of this Agreement, Franchisor shall have the right to terminate this Agreement if Franchisee commits any of the following breaches and fails to cure the same within thirty (30) day following Franchisor's written notice to Franchisee:

(a) Franchisee fails or refuses to maintain and operate its Franchised Business in compliance with this Agreement, the System and the Manual (other than in a manner that constitutes a default of Sections 16.1, 16.2 or 16.3 for which those sections are controlling), including, but not limited to failing to complete a Franchised Business Renovation, within the time frame required by this Agreement, at Franchisee's expense; or

(b) Franchisee fails to comply with any other term or condition in this Agreement not specifically listed in Sections 16.1, 16.2, or 16.3 above.

16.5 Cross-Default and Cross-Termination Provisions.

(a) A default by Franchisee under this Agreement will be deemed a default of all agreements between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates. A default by Franchisee under any other agreement between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates will be deemed a default under this Agreement. A default by the guarantors of this Agreement or any other agreement of guaranty will be deemed a default of this Agreement. For purposes of clarity, any agreements between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates include, without limitation, any other Franchise Agreement or Area Developer Agreement.

(b) If this Agreement is terminated as a result of a default by Franchisee (or any affiliate of Franchisee), Franchisor or its Affiliates may, at their option, elect to terminate any or all other agreements between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates is terminated as a result of a default by Franchisee (or any affiliate of Franchisee), Franchisor may, at its option, elect to terminate this Agreement or any other agreement between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates will be grounds for termination of this Agreement and/or all agreements between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates without additional notice or opportunity to cure.

16.6 Arrearage Agreement. Notwithstanding anything to the contrary set forth in this Agreement, Franchisee hereby acknowledges that any agreement between Franchisee and Franchisor or its Affiliates relating to past due amounts accruing hereunder (an “**Arrearage Agreement**”), including but not limited to any promissory note, payment plan or amendment to this Agreement shall be deemed to be a material part of this Agreement and shall be incorporated herein by reference. A default under any Arrearage Agreement shall be deemed a material default of this Agreement, regardless of the reason Franchisee fails to pay the amount that is the subject of an Arrearage Agreement. This provision does not require Franchisor to waive any payments due from Franchisee or to enter into any Arrearage Agreement.

16.7 Statutory Cure Period. If a default is curable under this Agreement, and the applicable law in the state in which the Franchised Business is located requires a longer cure period than that specified in this Agreement, the longer period will apply.

16.8 Right to Operate Upon Default. In addition to Franchisor’s right to terminate this Agreement and not in lieu of such right or any other rights, in the event that Franchisee has not cured a default under this Agreement within fourteen (14) days after receipt of a written notice of default, Franchisor may, at its option, enter upon the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines that the default has been cured and that there is compliance with the requirements of this Agreement. Franchisee acknowledges and agrees that Franchisor’s agent or other representative designated by Franchisor may take over, control and operate the Franchised Business, that Franchisee shall pay Franchisor the then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by such agent or representative so long as it shall be required to enforce compliance with this Agreement. Franchisee further acknowledges that if Franchisor temporarily operates the Franchised Business on Franchisee’s behalf under this Paragraph 16.8, Franchisee will indemnify and hold harmless Franchisor and Franchisor’s agent or representative respecting any and all claims arising out of Franchisor’s operation of the Franchised Business under this Paragraph 16.8. Nothing herein shall require Franchisor to operate the Franchised Business when Franchisee is in default.

16.9 Monetary Fees for Non-Compliance. In addition to any and all other remedies available to Franchisor under this Agreement or under the law upon a default by Franchisee, Franchisor may impose on Franchisee monetary non-compliance fees for the defaults described in this Section 16.9:

(a) Failure to Report Gross Revenues. Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the first day after performance is due, up through and including the day the default is cured, if Franchisee fails to report the Gross Revenues of the Franchised Business and/or Daily Flash Reports as set forth in Section 4.2 by the stated deadline.

(b) Failure to Furnish Reports, Financial Statements and Tax Returns. Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the first day after performance is due, up through and including the day the default is cured, if Franchisee fails to furnish the reports, financial statements, and/or tax returns as set forth in Sections 4.3, 4.4 or 4.5 by the stated deadlines.

(c) Failure to Pay Royalties, Marketing Fund contributions, Technology Fees. Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the first day after performance is due, up through and including the day the default is cured, if Franchisee is in default in the payment of royalties, Marketing Fund contribution or technology fees as required under Article IV.

(d) Failure to Properly Use Proprietary Products. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) per day for each and every day, beginning with the first day that Franchisee fails to properly use Proprietary Products as required in Section 10.4.

(e) Failure to Properly Use Trademarked Products. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) per day for each and every day, beginning with the first day that Franchisee fails to properly use Trademarked Products as required in Section 10.3.

(f) Failure to Comply with Specific Operating Standards. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchisee's Franchised Business fails to comply with the following specific Operating Standards, as set forth in this Agreement or in the Manual, and of which the Franchisor has given Franchisee at least fifteen (15) days' notice: (i) all employees wearing required uniforms as required in Section 10.9; (ii) using designated or approved suppliers as required in Section 10.3; (iii) complying with the insurance requirements set forth in Section 12; and (iv) always having adequate staffing and a trained manager on the premises of the Franchised Business as required in Section 10.6. The imposition of this fee does not limit Franchisor from any other remedies available to it under this Agreement or under applicable law.

(g) Failure to Keep Restaurant Open During Hours Required. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchisee's Franchised Business fails to be open for business for all the days and hours that are required, pursuant to Section 10.2(g). The hours include the time of opening and closing for business. This fee shall not apply in the event that Franchisee obtains Franchisor's prior written consent to close the Franchised Business for specific days or hours. Such consent shall apply only to each request Franchisee submits to Franchisor, which request shall include the specific dates and hours that Franchisee wishes to close the Franchised Business.

(h) Unauthorized Use of Marks. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchisee makes any unauthorized use of the Marks in any manner or in any media, including but not limited to signage, menus, advertising, social media or other internet use, and including during the term of this Agreement, or subsequent to its expiration or termination for any reason.

(i) Failure to Comply with Audit. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) per day, for each and every day, beginning with the first day up through and including the day the default is completely cured, that Franchisee fails to provide all the information, records, and documents that Franchisor requests in connection with an audit of Franchisee's Franchised

Business under Section 4.7. of this Agreement, or refuses entry to Franchisor's representative for an inspection of the Franchised Business under Section 10.2(m).

XVII. EFFECT OF TERMINATION OR EXPIRATION

17.1 Post-Termination Obligations. Upon termination or expiration of this Agreement, all rights granted to Franchisee under this Agreement will immediately terminate, Franchisee shall cease to be a licensed franchisee of Franchisor, and:

(a) Franchisee shall immediately cease to operate the Franchised Business as an The Original Rainbow Cone Business, and shall not thereafter, directly or indirectly, represent to the public that the restaurant is or was a The Original Rainbow Cone Business;

(b) Franchisee shall immediately and permanently cease to use, by advertising or in any manner whatsoever, any menus, recipes, confidential formulae, equipment, methods, procedures, techniques associated with the System, the Marks, and Franchisor's other trade names, trademarks and service marks associated with the System. In particular, and without limitation, Franchisee shall cease to use all signs, menus, advertising and promotional materials, stationery, forms, packaging, containers and any other articles which display the Marks;

(c) In the event Franchisee continues to operate or subsequently begins to operate a restaurant or other business, Franchisee shall not use any reproduction, counterfeit, copy, or colorable imitation of the Marks in conjunction with such other business which is likely to cause confusion or mistake or to deceive, and further agrees to remove all unique markings, colors, décor, Marks and other features ("**Trade Dress**") that identify the Franchised Business as a former The Original Rainbow Cone Business, and otherwise take all necessary steps to disassociate itself from the System and Franchisor, including but not limited to, the removal of signs and all Trade Dress from the premises of the Franchised Business and destruction of printed materials.

(d) Franchisee acknowledges that all telephone numbers, facsimile numbers, telephone directory listings, e-mail addresses, social media accounts, websites, internet addresses, listings or other presence on the Internet (collectively "**Identifiers**") used in the operation of the Franchised Business constitute Franchisor's assets, and upon termination or expiration of this Agreement, Franchisee will take such action within five (5) days to assign to Franchisor or Franchisor's designee as determined by Franchisor, all of Franchisee's right, title and interest in and to such Identifiers and will notify the telephone company and all listing agencies, internet service providers, domain name registrars, social media platforms or networks of the termination or expiration of Franchisee's right to use any Identifiers, and to authorize a transfer of the same to Franchisor, or at Franchisor's direction, to its designee. Further, Franchisee shall deliver to Franchisor any passwords or account manager access information for any Identifiers. Franchisee acknowledges that Franchisor has the sole right to, and interest in, all Identifiers used by Franchisee to promote the Franchised Business and/or associated with the Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. Franchisee further appoints Franchisor to direct the telephone company and all listing agencies, internet service providers, domain name registrars, social media platforms or networks or any other third parties having control over the Identifiers to transfer such Identifiers to Franchisor or Franchisor's designee. The telephone company and all agencies, internet service providers, domain name registrars, social media platforms or networks or any third parties have control over the Identifiers may accept such direction by Franchisor pursuant to this Agreement as conclusive evidence of Franchisor's rights to the Identifiers and Franchisor's authority to direct their transfer.

(e) Franchisee shall immediately take all actions as shall be necessary to amend or cancel any assumed name, fictitious or business name or equivalent registration that contains any Marks or other trademarks of Franchisor or in any way identifies Franchisee as being affiliated with the System;

(f) Franchisee shall immediately notify all of its suppliers, utilities, landlords, creditors and others with whom it is doing business that Franchisee is no longer affiliated with the Franchised Business or the System and provide proof to Franchisor of this notification within five (5) days of the termination or expiration of this Agreement;

(g) Franchisee shall immediately make such modifications or alterations to the Franchised Business premises or cessation of operation of the Franchised Business as may be necessary to prevent the operation of any businesses thereon by Franchisee or others in derogation of this Article XVII, and shall make such specified additional changes thereto as Franchisor may reasonably request for that purpose. The modifications and alterations required by this Article XVII shall include but are not limited to removal of all trade dress, proprietary marks and other indicia of the System;

(h) Franchisee shall immediately pay to Franchisor and its Affiliates all sums, fees or charges owed to Franchisor or its Affiliates;

(i) Franchisee shall immediately turn over to Franchisor the Manual, training materials and any other materials containing the Confidential Information and other data, records, files, instructions, correspondence and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession and all copies thereof (all of which are acknowledged to be Franchisor's property) and shall retain no copy or record of any of the foregoing, in any format whether electronic or otherwise, with the exception of Franchisee's copy of this Agreement, any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law; and

(j) Franchisee and its owners shall comply with all of the post-termination covenants set forth in Article XIV.

17.2 Franchisor's Right to Purchase. Franchisor shall have the right (but not the duty) to exercise by notice of intent to do so within thirty (30) days after termination or expiration of this Agreement, to purchase any and all improvements, furniture, fixtures, equipment, advertising and promotional materials, ingredients, products, materials, supplies, paper goods and any items bearing Franchisor's Marks at then-current fair market value, but specifically excluding any value for goodwill or going concern value. If the parties cannot agree on a fair market value within a reasonable time, an independent appraiser shall be designated by Franchisor, and his/her determination of fair market value shall be binding. If Franchisor elects to exercise any option to purchase provided in this Section, it shall have the right to set-off all amounts due from Franchisee under this Agreement and the cost of the appraisal, if any, against any payment therefor. In the event the premises are leased to Franchisee, Franchisee shall, upon termination of this Agreement and upon request by Franchisor, immediately assign, set over and transfer unto Franchisor, at Franchisor's sole option and discretion, said lease and the premises, including improvements. Any such lease entered into by Franchisee shall contain a clause specifying the landlord's consent to assign such lease to Franchisor or its assignee in the event this Agreement is terminated.

17.3 Damages Resulting From Breach. Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in seeking recovery of damages caused by any action of Franchisee in violation of, or in obtaining injunctive relief for the

enforcement of, any portion of this Article XVII. Franchisee acknowledges and agrees that any failure to comply with the provisions of this Article XVII shall result in irreparable injury to Franchisor.

17.4 Additional Documents. Franchisee shall execute such documents as Franchisor may reasonably require to effectuate termination of the Franchised Business and Franchisee's rights to use the Marks and the System.

17.5 Acknowledgements. Upon the termination or expiration of this Agreement for any reason, Franchisee acknowledges and agrees that:

(a) No payment is due to Franchisee from any source for any claimed goodwill or other equity claimed by Franchisee based on Franchisee's operation or ownership of the Franchised Business, or otherwise; and

(b) No fees, charges, or other payments of any kind from Franchisee to Franchisor or its Affiliates are refundable wholly or partially.

XVIII. TAXES AND PERMITS

18.1 Taxes. Franchisee shall promptly pay when due all taxes, accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business under this Agreement. Franchisor will have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied against Franchisee or the Franchised Business or on Franchisor in connection with Franchisee's operation of the Franchised Business, or any payments Franchisee makes to Franchisor pursuant to this Agreement, including but not limited to royalties and marketing fund contributions (except for Franchisor's own income taxes). If any such taxes are assessed against Franchisor, Franchisee shall reimburse Franchisor the actual amount of the taxes upon demand and upon receipt of proof of tax assessment.

18.2 Permits. Franchisee, in the conduct of the Franchised Business, shall comply with all applicable laws and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business operated under this Agreement, including but not limited to licenses to do business, food service certifications, trade name registrations, sales tax permits and fire clearances.

XIX. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

19.1 Independent Contractor. This Agreement does not establish Franchisee as an agent, legal representative, joint venturer, partner, joint employer, employee or servant of Franchisor for any purpose whatsoever, and Franchisor shall not be construed to be jointly liable for any of Franchisee's or its employees' acts or omissions under any circumstances. Franchisee is solely responsible for the day to day operation of the Franchised Business. It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation on behalf of Franchisor. The parties further agree that this Agreement does not create any fiduciary relationship between them. During the Term and any extension hereof, Franchisee agrees to take such action as Franchisor deems reasonably necessary for Franchisee to inform and hold itself out to the public, its employees and suppliers as an independent contractor operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall prominently display, by posting of a sign within public view on or in the premises of the Franchised Business, and on any stationery, forms and promotional material a statement that clearly indicates that the Franchised Business is independently owned and operated by Franchisee as a franchisee of Franchisor.

19.2 No Employment Relationship. Franchisee expressly acknowledges that Franchisee is not

Franchisee's employer or an employer of any of Franchisee's employees. In addition, Franchisor is not a joint employer with Franchisee. Franchisee acknowledges that Franchisor's training, guidance, advice and assistance, Franchisee's obligations under this Agreement and the standards, specifications, policies and procedures required by Franchisor hereunder and in the Manual are imposed not for the purpose of exercising control over Franchisee but rather for the limited purpose of protecting the Marks and Confidential Information, goodwill and brand consistency. The parties acknowledge and agree that Franchisee is solely responsible for the management of the Franchised Business as an independent franchise owner/operator.

19.3 Indemnification.

(a) Franchisee agrees to defend, indemnify and hold harmless Franchisor and its Affiliates, and their respective officers, directors, members, managers, employees, agents, predecessors, successors and assigns from all claims, demands, losses, damages, liabilities, cost and expenses (including attorneys' fees and expenses of litigation) resulting from, or alleged to have resulted from, or in connection with Franchisee's operation, possession or ownership of the Franchised Business, the Franchised Business premises, or Franchisee's use of the Marks and the System in any manner not in accordance with this Agreement, including but not limited to any claim or action based on or arising out of any injuries, including death, to persons or damage to or destruction of property, sustained or alleged to have been sustained in connection with or to have arisen out of or incidental to the Franchised Business and/or the performance of this Agreement by Franchisee, its shareholders, officers, directors, members, managers, partners, employees, agents, employees, and its subcontractors, their agents and employees or anyone for whose acts they may be liable, regardless of whether or not such claim, demand, damage, loss, liability, cost or expense is caused in whole or in part by the negligence of Franchisor, Franchisor's representatives, or the employees, agents, invitees, or licensees thereof.

(b) Franchisor shall advise Franchisee in the event Franchisor receives notice that a claim has been or may be filed with respect to a matter covered by this Agreement, and Franchisee shall immediately assume the defense thereof at Franchisee's sole cost and expense. In any event, Franchisor will have the right, through counsel of its choice, to control any matter to the extent it could directly or indirectly affect Franchisor and/or its Affiliates or their officers, directors, employees, agents, successors or assigns. If Franchisee fails to assume such defense, Franchisor may defend, settle, and litigate such action in the manner it deems appropriate and Franchisee shall, immediately upon demand, pay to Franchisor all costs (including attorneys' fees and cost of litigation) incurred by Franchisor in effecting such defense, in addition to any sum which Franchisor may pay by reason of any settlement or judgment against Franchisor.

(c) Franchisor's right to indemnity hereunder shall exist notwithstanding that joint or several liabilities may be imposed upon Franchisor by statute, ordinance, regulation or judicial decision.

(d) Franchisee agrees to pay Franchisor all expenses including attorneys' fees and court costs, incurred by Franchisor or its Affiliates, and their successors and assigns to remedy any defaults of or enforce any rights under this Agreement, effect termination of this Agreement or collect any amounts due under this Agreement.

XX. APPROVALS AND WAIVERS

20.1 Approvals.

(a) Whenever this Agreement requires the prior approval of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval, and such approval or consent must

be in writing.

(b) Franchisor makes no warranties or guarantees upon which Franchisee may rely. Franchisor assumes no liability or obligation to Franchisee or any third party to which Franchisor would not otherwise be subject by Franchisor providing any waiver, approval, advice, consent or suggestions to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

20.2 Waiver. No failure of Franchisor to exercise any power reserved to it in this Agreement, or to insist upon compliance by Franchisee with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand strict compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's right in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants of this Agreement affect or impair Franchisor's rights, nor shall such constitute a waiver by Franchisor of any rights under this Agreement, or its right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payments due to it shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

20.3 Variation of Standards. Because complete and detailed uniformity under many varying conditions might not be possible or practical, Franchisee acknowledges that Franchisor specifically reserves the right and privilege, as Franchisor considers to be best, to vary standards described in this Agreement for any franchise owner based upon the peculiarities of any condition that Franchisor considers important to that franchise owner's successful operation. Franchisee has no right to require Franchisor to grant Franchisee a similar variation or accommodation.

XXI. NOTICES

21.1 Notices. All notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by U.S. Certified mail, Return Receipt Requested, or commercial overnight delivery service, or by e-mail transmission to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notice to Franchisor:

Five Flavors Franchising LLC
6801 Roosevelt Road
Berwyn, Illinois 60402
Attn: Brian Lansu
General Counsel
blansu@bouna.com

AND

Joseph Buonavolanto III
Vice President of Franchising
JB3@buona.com

Notice to Franchisee:

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be addressed to the party to be notified at its most current principal business address or e-mail address of which the notifying party has been notified and shall be deemed so delivered (i) at the time delivered by hand; (ii) one (1) business day after deposit within commercial overnight courier, (iii) three (3) business days after placement in the U.S. Mail by Certified Mail, Return Receipt Requested, postage prepaid and addressed, or (iv) on the date of transmission if an e-mail is sent on business days during business hours and there is a confirmation of transmission (and if not sent during business hours, as of the next business day).

XXII. SEVERABILITY AND CONSTRUCTION

22.1 Severability. Except as expressly provided to the contrary in this Agreement, each article, section, paragraph, part, term, and provision of this Agreement shall be considered severable. If, for any reason, any article, section, part, term, or provision of this Agreement is determined to be invalid, contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation, or have any other effect upon, such other portions, articles, sections, parts, terms, or provisions of this Agreement as may remain otherwise enforceable, and the latter shall continue to be given full force and effect to bind the parties hereto, the invalid portions, articles, sections, parts, terms or provisions being deemed not to be part of this Agreement.

22.2 Construction.

(a) Except as has been expressly provided to the contrary in this Agreement, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors, members, managers and employees, and Franchisee's and Franchisor's permitted respective successors and assigns, any rights or remedies under or by reason of this Agreement.

(b) All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

(c) All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable, and all acknowledgements, promises, covenants, agreements and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all Franchisee parties hereto on behalf of Franchisee.

(d) This Agreement may be executed in counterparts, and each copy so executed shall be deemed an original.

(e) This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by electronic mail or other functionally equivalent means of transmission constitutes valid and effective delivery.

XXIII. ENTIRE AGREEMENT; SURVIVAL

23.1 Entire Agreement. This Agreement, the documents referred to herein and the exhibits hereto, constitute the entire, full and complete agreement between Franchisor and Franchisee concerning

the subject matter hereof and supersede any and all prior agreements. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, modification or variance of this Agreement shall be binding on either party unless in writing and executed by Franchisor and Franchisee. Representations by either party, whether oral, in writing, electronic or otherwise, that are not set forth in this Agreement shall not be binding upon the party alleged to have made such representations and shall be of no force or effect. Nothing in this Franchise Agreement is intended to disclaim any representations made by Franchisor in the franchise disclosure document provided to Franchisee. Franchisee understands and agrees that Franchisor shall not be liable or obligated for any oral representations or commitments made prior to the execution of this Agreement and that no modifications of this Agreement shall be effective except those in writing and signed by both parties. Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement and in the most recent franchise disclosure document provided by Franchisor or its representatives. Franchisee further acknowledges and agrees that no representations have been made to it by Franchisor regarding projected sales volumes, market potential, revenues, or profits of Franchisee's The Original Rainbow Cone Business, other than as stated in this Agreement or in the most recent franchise disclosure document provided by Franchisor or its representatives.

23.2 Survival. Notwithstanding anything herein to the contrary, upon the termination of this Agreement for any reason whatsoever (including the execution of a subsequent franchise agreement pursuant to the provisions of Section 2.2(b)), or upon the expiration of the Term of this Agreement, all provisions of this Agreement which, by their nature, are intended to extend beyond the expiration or termination of this Agreement, shall survive termination or expiration and be fully binding and enforceable as though such termination or expiration had not occurred.

XXIV. DISPUTE RESOLUTION; APPLICABLE LAW; VENUE

24.1 Mediation. Except as otherwise specifically provided herein, prior to the initiation of litigation by either party pursuant to this Agreement, the parties must make a good faith effort to resolve any controversies between them by non-binding mediation either through a mutually acceptable mediator or through an established mediation service selected by Franchisor (in either case, "Mediator"). Mediation shall take place in the Cook County, Illinois. Prior to mediation, each party involved in mediation shall sign the standard confidentiality agreement reasonably required by Mediator or a confidentiality agreement reasonably required by Franchisor if the Mediator does not have a standard confidentiality agreement. No litigation proceeding may be commenced until the earlier of thirty (30) days from the selection of the Mediator, or the mutual agreement by both parties that mediation has been unsuccessful, or if the notified party fails to respond to the requesting party within thirty (30) days of the delivery of notice requesting mediation. The parties will share equally all fees and expenses of the mediator, and each party shall bear its own costs otherwise. Each party hereby agrees that all statements made in the course of mediation shall be strictly confidential and shall not be disclosed to or shared with any third parties, other than the mediator. Each party also agrees that any documents or data specifically prepared for use in good faith negotiations and/or mediation shall not be disclosed to or shared with any third party except those parties whose presence is necessary to facilitate the mediation process. The parties agree not to make copies of any such documents, and to return them to the other party upon the conclusion of the mediation. Each party agrees and acknowledges that no statements made in, or evidence specifically prepared for mediation shall be admissible for any purpose in any subsequent proceedings.

Notwithstanding the foregoing, Franchisor shall have no obligation to mediate before commencing litigation in the following circumstances: (i) In the event Franchisor seeks the entry of temporary and permanent injunctions and orders of specific performance in a court of competent jurisdiction to: (a) enforce the provisions of this Agreement relating to Franchisee's use of the Marks and/or Franchisee's non-disclosure and non-competition obligations under this Agreement; (b) prohibit any act or omission by Franchisee or Franchisee's employees that constitutes a violation of any applicable law, ordinance or regulation, constitutes

a danger to the public, or may impair the goodwill associated with the Marks or cause irreparable harm to Franchise, the System, the Marks and/or other The Original Rainbow Cone franchises agree to waive any claims for damages in the event there is a later determination that an injunction or specific performance order was issued improperly; (ii) in the event Franchisor is filing suit to enforce Franchisee's obligations to pay Franchisor under this Agreement and to seek collection of such fees due and owing to Franchisor; and (iii) in the event Franchisee has abandoned the Franchised Business or has lost its right to possess the premises of the Franchised Business so that the Franchised Business is no longer operating.

24.2 Arbitration. Except for controversies, disputes or claims related to or based on Franchisee's use of the Marks or Confidential Information, Franchisee's compliance with its non-competition obligations and any rights Franchisor may have to possession of the premises of The Original Rainbow Cone Business under any sublease, lease or collateral assignments, all controversies, disputes or claims between Franchisor, its affiliates, and their respective owners, officers, directors, agents, employees and attorneys, and Franchisee (its affiliates and owners and guarantors, if applicable), arising out of or related to this Agreement or any other agreement between the parties; the parties' rights and obligations under this Agreement; Franchisor's relationship with Franchisee or the obligations by and between the parties; or the validity of this Agreement or any other agreement between Franchisor and Franchisee or any provision of such agreements, will be submitted to binding Arbitration administered by the American Arbitration Association ("AAA") in accordance with the AAA's then-current Commercial Arbitration Rules. The arbitration hearing shall take place in Cook County, Illinois, before a single arbitrator. Any party who fails or refuses to submit any dispute to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration. The parties shall have thirty days after the service of a Statement of Claim and demand for arbitration to agree on a single arbitrator. If the parties cannot agree on a single arbitrator, the matter will be filed with and administered by the AAA, or if AAA is not available, any comparable arbitration body.

24.3 Scope of Arbitration. The arbitrator shall have the right to award or include in the award any relief which he or she deems proper in the circumstances including but not limited to money damages (with interest on unpaid amounts from the date due), specific performance and attorneys' fees and costs, in accordance with this Agreement. **THE FOREGOING TO THE CONTRARY NOTWITHSTANDING, THE ARBITRATOR MUST NOT AWARD CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES. THE PARTIES (AND THEIR OWNERS AND GUARANTORS, IF APPLICABLE) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT IN A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.** The award and decision of the arbitrator shall be conclusive and binding upon all parties to this Agreement and judgment upon the award may be entered in any court of competent jurisdiction. Franchisor and Franchisee agree that, in connection with any arbitration proceeding, each shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within thirty (30) days after the date of the filing of the claim to which it relates.

24.4 Limitations on Proceedings.

(a) Franchisor and Franchisee agree that arbitration will be conducted on an individual basis only, and not on a joint, collective or class-wide basis, and that an arbitration proceeding between Franchisor and its Affiliates, and Franchisee and its shareholders, officers, directors, members, managers, employees and agents, may not be consolidated or joined with any other arbitration proceeding between Franchisor and any other person or entity. Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving Franchisor and Franchisee. Further, neither Franchisor nor Franchisee shall attempt to

consolidate or otherwise combine in any manner, an arbitration proceeding involving Franchisor and Franchisee with another arbitration of any kind, nor shall Franchisor or Franchisee attempt to certify a class or participate as a party in a class action against the other.

(b) The foregoing notwithstanding, in the event Franchisee controls, is controlled by, or is in active concert with another franchisee of Franchisor, or there is a guarantor of some or all of Franchisee's obligations to Franchisor, then the joinder of those parties to any arbitration between Franchisor and Franchisee shall be permitted, and in all events, the joinder of an owner, director, officer, member, manager, partner or other representative or agent of Franchisor or Franchisee shall be permitted.

24.5 Governing Law/Consent to Venue and Jurisdiction. All arbitration proceedings between Franchisor and Franchisee shall be governed by the Federal Arbitration Act ("FAA") and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*) or other federal law, this Agreement shall be interpreted and governed under the laws of the State of Illinois and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Illinois, which laws shall prevail if there is any conflict of law. Franchisee and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Franchisee and/or any affiliate of Franchisee and Franchisor, its Affiliates and their respective officers, directors, members, managers, and employees, the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Illinois or in arbitration in Cook County, Illinois pursuant to this Article XXIV, and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Cook County, Illinois or to arbitration in Illinois pursuant to this Article XXIV. Franchisor, Franchisor's Affiliates, Franchisee and Franchisee's Affiliates each waive their rights to a trial by jury.

24.6 Cumulative Remedies. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy herein, or by law or equity provided or permitted; but each shall be cumulative of any other right or remedy provided in this Agreement.

24.7 Injunctive Relief. Notwithstanding the above arbitration provisions, Franchisor and Franchisee will each have the right in a proper case to seek injunctive relief and any damages incidental thereto from a court of competent jurisdiction. Franchisee agrees that Franchisor may obtain this injunctive relief, without posting a bond or bonds in excess of a total of One Thousand Dollars (\$1,000.00), but upon due notice, and Franchisee's sole remedy in the event of the entry of any injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had; however, all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived by Franchisee. Any such action will be brought as provided in this Article and the prevailing party shall be entitled to its costs and attorneys' fees.

24.8 Limitations on Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any and all claims and actions arising out of or relating to this Agreement (including, but not limited to, the offer and sale of this franchise), the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchised Business, brought by Franchisee must be commenced within one (1) year from the occurrence of the events giving rise to such claims or action, or such claim or action shall be barred.

24.9 DAMAGES. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE

FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

24.10 Costs and Attorney's Fees. If a claim for amounts owed by Franchisee to Franchisor or its affiliates is asserted in any legal proceeding before a court of competent jurisdiction, or if Franchisee or Franchisor is required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees, expert witness fees, court costs and other expenses of litigation, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement.

24.11 Liquidated Damages. Franchisor shall have the right to impose liquidated damages against Franchisee in the following events: (a) Franchisee terminates this Agreement without good cause, (b) Franchisor terminates this Agreement based on Franchisee's material breaches under this Agreement, (c) Franchisee abandons the Franchised Business, which for purposes of this Section is failing to open or operate the Franchised Business for more than two (2) consecutive days, (d) loses possession of the premises of the Franchised Business and fails to find a new location and to re-open the Franchised Business; or (e) Franchisee transfers an interest in the Franchised Business or the ownership of Franchisee or of the assets of Franchisee or the Franchised Business (or any interest therein) without fully complying with Article XV of this Agreement, whether or not Franchisor terminates this Agreement. The amount of liquidated damages shall be equal to (i) the number of months remaining in the term of this Agreement, times (ii) the average Gross Sales of Franchisee's Franchised Business during the thirty-six (36) month period immediately preceding the date of termination (or if Franchisee has been in business less than 36 months, then during the entire period Franchisee has been in business), times (iii) six percent (6%), times (iv) the present value factor based on an interest rate of four percent (4%) per year (4/12% per month), using the Present Value of an Annuity. This remedy is in addition to Franchisor's other rights and remedies set forth in this Agreement. The liquidated damages are not a penalty or forfeiture, but are a reasonable measure of damages where the exact amount of actual damages would be difficult to ascertain. Franchisee also agrees to pay Franchisor's costs and attorney's fees in connection with enforcing this Liquidated Damages provision.

XXV. MISCELLANEOUS

25.1 Modifications. No modification of any provision of this Agreement shall be valid unless made in writing and executed by both Franchisor and Franchisee; however, the Manual may be modified by Franchisor from time to time and is fully enforceable against Franchisee.

25.2 Beneficiaries. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third parties shall have any right or claims, benefit, or right as a third party beneficiary under this Agreement or any provision hereof. Similarly, Franchisee is not entitled to claim any rights or benefits including those of a third party beneficiary, under any contract, understanding or agreement between Franchisor and any other person or entities, unless that contract, understanding or agreement specifically refers to Franchisee by name or to a class which Franchisee belongs and specifically grants rights or benefits to Franchisee or to the concerned class.

25.3 Entity Authority. The person or persons signing this Agreement for Franchisee warrant to Franchisor that he, she or they have the requisite corporate authority to sign this Agreement. At the request of Franchisor, the concerned Entity signatory agrees to promptly provide Franchisor with a certified copy of the resolution or other document authorizing the execution of this Agreement and naming the officers or other positions of the Entity that are authorized to sign this Agreement for the

Entity.

25.4 Set Off. Franchisee shall not be allowed to set off amounts owed to Franchisor or other amounts due hereunder, against any monies owed to Franchisee, nor shall Franchisee in any event withhold any amounts due to any alleged nonperformance by Franchisor hereunder, which right of set off is expressly waived by Franchisee. Franchisor shall be allowed to set off amounts owed to Franchisee against monies owed to Franchisor by Franchisee.

25.5 Joint and Several Liability. If two or more persons, corporations, partnerships, or other entities or any combination thereof, sign this Agreement, the liability of each shall be joint and several. All Principals are jointly and severally liable for the performance of Franchisee hereunder.

25.6 Successors in Interest. This Agreement is binding upon the heirs, administrators, personal representatives, assigns and successors in interest to the parties to this Agreement.

25.7 Franchisor's Reasonable Business Judgment. Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably, in good faith or as it deems necessary or advisable, Franchisor will satisfy its obligations whenever Franchisor exercises reasonable business judgment in making its decision or exercising its rights. Franchisor's decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the System and The Original Rainbow Cone Businesses generally, even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit all The Original Rainbow Cone Businesses and the System include but are not limited to enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

25.8 Modification of the System. Franchisee understands and agrees that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of Franchisor, Franchisee and all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System including but not limited to altering the products, programs, services, methods, standards, forms, policies and procedures of the System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services that the Franchised Restaurant is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes that Franchisee is required to observe under this Agreement; and changing, improving, modifying, or substituting other words or designs for, the Marks. Franchisee expressly agrees to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase Franchisee's obligations hereunder. Franchisee will accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including but not limited to any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good

faith and fair dealing.

25.9 Force Majeure. Neither Franchisee nor Franchisor will be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform their respective obligations results from: (1) transportation shortages or inadequate supply of labor, material or energy beyond the control of the parties, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war, riot, acts of terrorism, or pandemic; or (6) any other similar event or cause. Any delay resulting from any of the causes set forth above will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable. However, this clause shall not apply or not result in an extension of the term of this Agreement.

25.10 Executive Order 13224. To enable Franchisor to comply with U.S. Executive Order 13224, Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of its equity owners, directors, officers, employees, representatives, and agents (collectively, the “Included People”): (a) is, or is owned or controlled by, a suspected terrorist or foreign terrorist, as those terms are used, contemplated, and/or implied in Executive Order 13224, and (b) to the best of Franchisee’s knowledge, has any of the Included People been designated a suspected terrorist or foreign terrorist as those terms are used, contemplated, and/or implied in Executive Order 13224.

25.11 Acknowledgements.

(a) FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED A COMPLETED COPY OF THIS AGREEMENT, THE EXHIBITS HERETO, IF ANY, AND THE AGREEMENTS RELATING THERETO, IF ANY, PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION ENTITLED “DISCLOSURE REQUIREMENTS AND PROHIBITIONS CONCERNING FRANCHISING AND BUSINESS OPPORTUNITY VENTURES” AT LEAST FOURTEEN (14) DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED, APPLICABLE BY STATE.

(b) FRANCHISEE RECOGNIZES AND UNDERSTANDS THAT IT MAY INCUR OTHER EXPENSES AND/OR OBLIGATIONS AS PART OF THE INITIAL INVESTMENT IN THE FRANCHISED BUSINESS WHICH THE TERMS OF THIS AGREEMENT MAY NOT ADDRESS, AND WHICH INCLUDE WITHOUT LIMITATION: OPENING ADVERTISING, EQUIPMENT, FIXTURES, OTHER FIXED ASSETS, CONSTRUCTION, LEASEHOLD IMPROVEMENTS AND DECORATING COSTS AS WELL AS WORKING CAPITAL NECESSARY TO COMMENCE OPERATIONS.

(c) 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.

[Signature Page to Franchise Agreement on next page]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed, sealed, and delivered this Agreement on the date below each signature.

FRANCHISOR:

FRANCHISEE:

FIVE FLAVORS FRANCHISING LLC

[_____]

By: _____
Name: _____
Title: _____
Date: _____

Date: _____

OR, if a corporation, limited liability company or other business entity:

Company Name

By: _____
Name: _____
Title: _____
Date: _____

**EXHIBIT A
APPROVED LOCATION AND
PROTECTED AREA**

As provided in the above franchise agreement, the following information is now available and is hereby specified for inclusion in the franchise agreement.

Approved Location: The location approved by the Franchisor for operation of the Franchised Business is _____ (“Approved Location”).

Description of Protected Area for Free Standing Franchise and In-Line Franchise:

Non-Urban Area. If you are purchasing a Free Standing Franchise or In-line Franchise in a non-urban area, the boundaries of the Protected Area are described as follows: *[INSERT DESCRIPTION]*

The parties acknowledge and agree that the Protected Area described above contains the following people population: _____.

Urban Area. If you are purchasing a Free Standing Franchise or an In-Line Franchise in an urban area, the Protected Area shall be a one-half (1/2) mile radius from the Approved Location.

If a map is attached hereto, the boundaries of the Protected Area as shown on the map shall control.

Kiosk. If you are purchasing a Kiosk Franchise, you will not be granted a Protected Area.

FRANCHISOR:
Five Flavors Franchising LLC
An Illinois limited liability company

FRANCHISEE:

By: _____
Name: _____
Title: _____

Date: _____

By: _____
Name: _____
Title: _____

Date: _____

EXHIBIT B
ADDENDUM TO LEASE AND COLLATERAL ASSIGNMENT OF
LEASE

This Addendum to Lease, dated _____, 20____, is entered into by and between _____ (“**Lessor**”), and _____ (“**Lessee**”).

A. The parties hereto have entered into a certain Lease Agreement, dated _____, 20 , and pertaining to the premises located at _____ (“**Lease**”).

B. Lessor acknowledges that Lessee intends to operate a The Original Rainbow Cone Franchised Business from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with Five Flavors Franchising LLC, an Illinois limited liability company (“**Franchisor**”) under the name The Original Rainbow Cone or other name designated by Franchisor (herein referred to as “**Franchised Business**”).

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Term. The term of the Lease (initial term or initial term plus any renewal options) shall extend through the term of the Franchise Agreement which shall expire on _____.

2. Use of Premises. Lessor and Lessee agree that, during the term of the Franchise Agreement, the Premises shall be used only for the operation of a Franchised Business under a Franchise Agreement with Franchisor, unless another use is approved in writing Franchisor.

3. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a The Original Rainbow Cone business on the Premises.

4. Franchisor’s Right to Enter. Lessor and Lessee agree that the employees of Franchisor, or its parent, subsidiaries or affiliates, shall have the right to enter the leased premises to make any modifications necessary to protect their proprietary marks.

5. Retail Radius Restrictions in Lease. Any “retail radius restriction” or similar provision shall not be binding upon nor enforceable against Franchisor, nor shall such provision be enforceable against the Lessee in case Franchisor, its parent, subsidiaries or affiliates open a location within a restricted area.

6. Assignment. Lessee shall have the right to assign all of its right, title and interest in the Lease to Franchisor or its parent, subsidiary, affiliate, or another franchisee, at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor’s consent in accordance with the Collateral Assignment of Lease attached hereto as Attachment A (the “**Collateral Assignment**”). However, no assignment shall be effective until the time as Franchisor or

its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated transferee a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or its designated transferee unless and until the Lease is assigned to, and accepted in writing by, Franchisor or its designated transferee. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Lessor's consent in accordance with this Section.

7. Amendment/Termination During the Term. Following Franchisor's approval of the Lease, Lessor and Lessee agree not to terminate prior to the end of the Lease term, or in any way amend or alter the terms of this Lease without Franchisor's prior written consent. Any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder.

8. Default and Notice.

a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in the Collateral Assignment. Franchisor will have an additional 15 days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated, to cure the default or violation.

b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

Five Flavors Franchising LLC
6801 Roosevelt Road
Berwyn, Illinois 60402
Attn: Brian Lansu
General Counsel
blansu@bouna.com
AND
Joseph Buonavolanto III
Vice President of Franchising
JB3@buona.com

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

9. Termination or Expiration.

a) Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any later time to re-assign the Lease to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided the franchisee agrees to assume

Lessee's obligations and the Lease.

b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Franchisor's marks, system, and trade dress, and to distinguish the Premises from a Franchisor's business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

10. Consideration; No Liability.

a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment from Lessee to Franchisor as evidenced by Attachment A hereto.

b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

11. Sales Reports. If requested by Franchisor, Lessor will provide Franchisor with whatever reports, information or data Lessor has regarding Lessee's sales from its Franchised Business.

12. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

13. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Addendum as though copies herein in full.

14. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third-party beneficiary of this Addendum.

IN WITNESS WHEREOF, witness the signatures of the parties hereto as of the day, month and year first written above.

LESSOR:

LESSEE:

By: _____

By: _____

Title _____

Title: _____

Attachment A

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of the _____ day of _____, 20____ (“**Effective Date**”), the undersigned, _____, (“**Assignor**”) hereby assigns, transfers and sets over unto Five Flavors Franchising LLC, an Illinois limited liability company (“**Assignee**”) all of Assignor’s right, title and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as Attachment A (“**Lease**”) with respect to the premises located at _____. This Collateral Assignment of Lease (“**Collateral Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Collateral Assignment unless Assignee shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a The Original Rainbow Cone Business between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in the event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease at least thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

IN WITNESS WHEREOF, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

ASSIGNOR:

By: _____
Title: _____

ASSIGNEE:

FIVE FLAVORS FRANCHISING LLC

By: _____
Title: _____

EXHIBIT C
AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION
FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee E-mail Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
	<input type="checkbox"/> Checking <input type="checkbox"/> Savings	
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

Authorization:

Franchisee hereby authorizes Five Flavors Franchising LLC, an Illinois limited liability company (“Franchisor”) to initiate debit entries to Franchisee’s account with the ~~Bank listed above and~~ Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____	Date: _____
Name: _____	
Its: _____	
Federal Tax ID Number: _____	

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

EXHIBIT D

STATEMENT OF OWNERSHIP

Name of Entity and, if applicable, Trade Name: _____

Form of
Ownership (Check
One)

___ Individual ___ Partnership ___ Corporation ___ LLC ___ Other: _____

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: _____

Management (managers, officers, board of directors, etc.):

Name	Title

Owners (Members, Stockholders, Partners)

Name	Address	Percentage Owned

Operating Owner (as defined in Section 6.1(c)) designated by Franchisee: _____

Franchisee acknowledges this Statement of Ownership applies to The Original Rainbow Cone Business authorized under the Franchise Agreement. Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

FRANCHISEE: _____

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT E

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS ("**Guaranty**") is made as of _____, 20____, in consideration of, and as an inducement to, the execution of the Franchise Agreement ("**Franchise Agreement**") by Five Flavors Franchising LLC, an Illinois limited liability company ("**Franchisor**"). In consideration thereof, each of the undersigned hereby jointly and severally, personally and unconditionally agrees as follows:

1. **Guaranty.** Guarantor(s) hereby unconditionally and absolutely warrants and guarantees to Franchisor that _____ ("Franchisee") shall punctually pay and perform in full each and every undertaking, agreement and covenant set forth in the Franchise Agreement;
2. **Obligations of Guarantor Upon Event of Default.** Should a Default (as defined in the Franchise Agreement) occur, Guarantor(s) shall diligently proceed to cure such Default at Guarantor's sole cost and expense;
3. **Nature of Guaranty.** This Guaranty is an original and independent obligation of Guarantor(s), separate and distinct from Franchisee's obligations to Franchisor under the Franchise Agreement. The obligations of Guarantor to Franchisor under this Guaranty are direct and primary, regardless of the validity or enforceability of the Franchise Agreement. This Guaranty is for the benefit of Franchisor and is not for the benefit of any third party. This Guaranty shall continue until all obligations of Guarantor to Franchisor under this Guaranty have been performed in full.
4. **Guarantor's Authorization to Franchisor.** Guarantor(s) authorizes Franchisor, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (a) to make or approve changes to the Franchise Agreement; (b) to repeatedly compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Franchise Agreement; (c) to take and hold security for the payment of amounts due under the Franchise Agreement or this Guaranty, and exchange, enforce, waive, and release any such security, with or without the substitution of new collateral; (d) to determine how, when, and what application of payments and credits shall be made on amounts due under the Franchise Agreement; and (j) to assign or transfer this Guaranty, in whole or in part.
5. **Guarantor's Representations and Warranties.** Guarantor(s) represents and warrants to Franchisor that: (a) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (b) this Guaranty is executed at Franchisee's request and Franchisor would not execute the Franchise Agreement were it not for the execution and delivery of this Guaranty; (c) Guarantor has not and will not, without the prior written consent of Franchisor, sell, lease, assign, encumber, hypothecate, transfer or otherwise dispose of all, or substantially all, of Guarantor's assets, or any interest therein if any such event would have a material negative effect on Guarantor's ability to perform its obligations under this Guarantor or the Franchise Agreement; (d) neither the execution nor the delivery of this Guaranty, nor compliance with the terms hereof, will conflict with or result in the breach of any law or statute, will constitute a breach or default under any agreement or instrument to which Guarantor may be a party, or will result in the creation or imposition of any charge or lien upon any property or assets of Guarantor; (e) Franchisor has made no representation to Guarantor as to the creditworthiness of Guarantor; and (f) Guarantor has established adequate means of obtaining from Franchisee, on a continuing basis, information regarding Franchisee's financial condition. Guarantor agrees to keep adequately informed of any facts, events or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information from Guarantor, Franchisor shall have no obligation to disclose

to Guarantor any information or documents acquired by Franchisor in the course of its relationship with Franchisee.

6. **Guarantor's Waivers.** Except as prohibited by applicable law, Guarantor waives any right to require Franchisor: (a) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any amount due to Franchisor under the Franchise Agreement or related to any security agreement; (b) to resort for payment or to proceed direction or at once against any person, including Guarantor or any other guarantor; (c) to proceed directly against or exhaust any collateral held by Franchisor against Franchisee, any other guarantor or any other person; (d) to give notice of the terms, time and place of any public or private sale of personal property security held by Franchisor from Franchisee, except as required under applicable provisions of the Uniform Commercial Code; or (e) to pursue any other remedy within Franchisor's power.

Guarantor also waives any and all rights or defenses arising by reason of (a) any "one action" or "anti-deficiency" law or any other law which may prevent Franchisor from bringing any action, including a claim for deficiency, against Guarantor, before or after Franchisor's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (b) any election of remedies by Franchisor which, until Franchisee's indebtedness is paid in full, destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Franchisee for reimbursement, including, without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging any payments due to Franchisor under the Franchise Agreement; (c) any disability or other defense of Guarantor, or any other guarantor, or of any other person, or by reason of the cessation of Guarantor's liability from any cause whatsoever, other than payment in full in legal tender of any amount due from Franchisee to Franchisor; (d) any failure or invalidity of, or any defect in, the Franchise Agreement or Area Development Agreement; (e) any right to claim discharge of any amounts due to Franchisor on the basis of unjustified impairment of any collateral for any payments due; or (f) any statute of limitations, if at any time any action or suit brought by Franchisor against Guarantor is commenced there is outstanding payment due to Franchisor by Franchisee which is not barred by any application statute of limitations.

Until all amounts due and owing to Franchisor by Franchisee are paid in full, Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment, or similar right, whether such claim, demand, or right, may be asserted by Franchisee, Guarantor, or both.

7. **Guarantor's Understanding with Respect to Waivers.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of the significance and consequences thereof, and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law.

8. **Rights and Remedies.** If Guarantor shall fail to perform promptly as provided in this Guaranty, Franchisor shall have the following rights and remedies:

- (a) **Perform Work.** Franchisor may, at its option, proceed to perform on behalf of Guarantor any and all work related to the Franchised Business (as that term is described in the Franchise Agreement) and to pay any costs incurred in connection with the work. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (b) **Cure Defaults.** Franchisor may, but without any obligation to do so, cure any defaults, including without limitation, paying any unpaid bills and liens, including without limitation those for construction, labor, and materials. Guarantor, upon Franchisor's

demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.

- (c) Specific Performance. From time to time and without first requiring performance on the part of Franchisee and without being required to exhaust any security held by Franchisor, to require Guarantor specifically to perform Guarantor's obligations under this Guaranty, by action at law or in equity or both, and further, to collect in any such action, compensation for all loss, cost, damage, injury and expense sustained or incurred by Franchisor as a direct or indirect consequence of Guarantor's failure to perform, with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (d) Other Rights and Remedies. In addition, Franchisor shall have and may exercise any or all of the rights and remedies it may have available at law, in equity, or otherwise.

9. Subordination of Franchisee's Debt to Guarantor. Guarantor agrees that, until full payment of the amounts due to Franchisor from Franchisee under the Franchise Agreement, these amounts, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Franchisee, whether or not Franchisee becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Franchisee, upon any account whatsoever, to any claim that Franchisor may now or hereafter have against Franchisee. In the event of insolvency and consequent liquidation of the assets of Franchisee through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Franchisee applicable to the payment of the claims of both Franchisor and Guarantor shall be paid to Franchisor and shall be first applied by Franchisor to the amounts due to Franchisor from Franchisee. Guarantor does hereby assign to Franchisor all claims which they may have or acquire against Franchisee or against any assignee or trustee in bankruptcy of Franchisee; provided however, that such assignment shall be effective only for the purpose of assuring to Franchisor full payment of all amounts due under the Franchise Agreement. Guarantor agrees, and Franchisor is hereby authorized, in the name of Guarantor and from time to time, to execute and file financing statements and continuation statements and to execute such other documents and to take such other actions as Franchisor deems reasonably necessary or appropriate under applicable law to perfect, preserve and enforce its rights under this Guaranty.

10. Miscellaneous Provisions. The following miscellaneous provisions are a part of this Guaranty:

- (a) Amendments. This Guaranty, together with any related documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of, or amendment to, this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound with the alteration or amendment.
- (b) Attorneys' Fees; Expenses. Guarantor agrees to pay, upon demand, all of Franchisor's costs and expenses, including Franchisor's reasonable attorneys' fees and Franchisor's legal expenses, incurred in connection with the enforcement of this Guaranty. Franchisor may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Franchisor's reasonable attorneys' fees and legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services.

Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

- (c) Caption Headings. Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.
- (d) Governing Law. This Guaranty will be governed by, construed and enforced in accordance with, federal law and the laws of the State of Illinois. This Guaranty has been accepted by Franchisor in the State of Illinois.
- (e) Choice of Venue. If there is a lawsuit, Guarantor agrees, upon Franchisor's request, to submit to the jurisdiction of the courts of the State of Illinois.
- (f) No Waiver by Franchisor. Franchisor shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Franchisor. No delay or omission on the part of Franchisor in exercising any right shall operate as a waiver of such right or any other right. A waiver by Franchisor of a provision of this Guaranty shall not prejudice or constitute a waiver of Franchisor's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Franchisor, nor any course of dealing between Franchisor and Guarantor, shall constitute a waiver of any of Franchisor's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Franchisor is required under this Guaranty, the granting of such consent by Franchisor in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Franchisor.
- (g) Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified mail, postage prepaid, and addressed as prescribed in the Franchise Agreement and as disclosed in the Statement of Ownership attached thereto.

Any party may change its address for notices under this Guaranty by giving formal written notice in accordance herewith, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Franchisor informed at all times of Guarantor's current address.

- (h) Severability. If a court of competent jurisdiction finds any provision of this Guaranty to be illegal, invalid or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid or unenforceable as to any other circumstances. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Guaranty. Unless otherwise required by law, the illegality, invalidity or unenforceability of any provision of this Guaranty shall not affect the legality validity or enforceability of any other provision of this Guaranty.
- (i) Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interests, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes

vested in a person other than Guarantor, Franchisor, without notice to Guarantor, may deal with Guarantor's successors with reference to this Guaranty and the Loan by way of forbearance or extension without releasing Guarantor from the obligations of this Guaranty or liability for payments due under the Franchise Agreement.

11. **Definitions.** The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code.

- (a) Franchisee. The word "**Franchisee**" means _____, and all other persons and entities signing the Franchise Agreement in whatever capacity.
- (b) Guarantor. The word "**Guarantor**" means each and every person or entity signing this Guaranty.
- (c) Franchisor. The word "**Franchisor**" means Five Flavors Franchising LLC, its successors and assigns.

[Remainder of this page is intentionally left blank]

THE UNDERSIGNED GUARANTOR(S) ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO FRANCHISOR. NO FORMAL ACCEPTANCE BY FRANCHISOR IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED AS OF _____, 20__.

_____, an _____

Percentage ownership
in Franchisee: ____%

Print Name: _____
Title, as applicable: _____

_____, an _____

Percentage ownership
in Franchisee: ____%

Print Name: _____
Title, as applicable: _____

Percentage ownership must equal 100

EXHIBIT F

SECURITY AGREEMENT

Five Flavors Franchising LLC, an Illinois limited liability company ("Secured Party"), and _____, a(n) _____ ("Debtor"), agree as follows:

1. Background.

Secured party, as franchisor, and Debtor, as franchisee, are parties to a Franchise Agreement of even date (the "Franchise Agreement") pursuant to which, among other things, Debtor is obligated to pay, from time to time, certain sums to Secured Party. In order to induce Secured Party to enter into the Franchise Agreement, Debtor, among other things, is entering into this Security Agreement pursuant to which Debtor's payment and performance of all obligations under the Franchise Agreement are secured on the terms and conditions hereinafter provided for. Capitalized terms defined in the Franchise Agreement shall have the same meaning herein as therein.

2. Security Interest.

To secure the payment and performance by Debtor of all obligations and liabilities under the Franchise Agreement (such payment and performance of such obligations and liabilities collectively, "Obligations"), Debtor shall and hereby does grant, convey, assign and transfer to Secured Party, a security interest in and to the Franchise Agreement and all signs and other appurtenances and other property, real and personal, bearing any of the Proprietary Marks used at, located on or affixed to the Franchised Business operated by Debtor ("The Original Rainbow Cone Business"), and all equipment, fixtures, furnishings and improvements located at The Original Rainbow Cone Business, whether now owned or hereafter acquired by Debtor (the "Collateral").

3. Default.

3.1. Definitions. The term "Event of Default" means the occurrence and continuation of any one (1) or more of the following events:

(a) any failure of Debtor promptly and faithfully to pay, observe and perform, when due, any of the Obligations;

(b) if Debtor becomes insolvent, commits an act of bankruptcy, files a voluntary petition in bankruptcy, or an involuntary petition in bankruptcy is filed, or a permanent or temporary receiver or trustee for The Original Rainbow Cone Business, or all or substantially all of the Debtor's property, is appointed by any court and such appointment is not actively opposed through legal action, or Debtor makes an assignment or arrangement for the benefit of creditors, or calls a meeting of creditors, or Debtor makes a written statement to the effect that he or it is unable to pay his or its debts as they become due, or a levy of execution is made upon Debtor, or an attachment or lien outstanding with respect to The Original Rainbow Cone Business for thirty (30) days, unless the attachment or lien is being duly contested in good faith by Debtor and Secured Party is advised in writing

(c) if Debtor loses possession or the right of possession of all or a significant part of The Original Rainbow Cone Business through condemnation or casualty and The Original Rainbow Cone Business is not relocated or reopened as required by the Franchise Agreement;

(d) if Debtor abandons, surrenders or transfers control of the operation of the Franchised Business without Secured Party's prior written consent; or

(e) if Debtor is a corporation, limited liability company, partnership, joint venture or other legal entity, any action is taken which purports to merge, consolidate, dissolve or liquidate Debtor without the prior written consent of Secured Party.

3.2. Remedies. Upon the occurrence of an Event of Default, all amounts payable to Secured Party shall become immediately due and payable and Secured Party shall have all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in the state or states in which the Collateral may be located, including, but not limited to, the right to enter upon The Original Rainbow Cone Business peaceably and remove all Collateral. Secured Party shall give Debtor reasonable notice of the time and place of any public or private sale or other intended disposition of all or any particular Collateral, as the case may be. Debtor agrees that the requirement of reasonable notice shall be met if notice is mailed to Debtor at its address first above written not less than five (5) business days prior to the sale or other disposition. Expenses of retaking, holding, preparing for sale, selling or the like, shall include, without limitation, Secured Party's reasonable attorneys' fees and other legal expenses. Secured Party's rights and remedies, whether pursuant hereto or pursuant to the Illinois Uniform Commercial Code or any other statute or rule of law conferring rights similar to those conferred by the Illinois Uniform Commercial Code, shall be cumulative and not alternative.

4. Notices. Any notice, request or other communication to either party by the other as provided for herein shall be given in writing and shall be deemed given on the date the same is (i) actually received or (ii) three (3) days after being mailed by certified or registered mail, return receipt requested, postage prepaid and addressed to the addresses first set forth below. The person and the place to which notices or copies of notices are to be mailed to either party may be changed from time to time by such party by written notice to the other party.

5. Applicable Law. This Agreement shall be governed by and interpreted under the laws of the State of Illinois, without regard to the principles of conflict of laws thereof.

6. Miscellaneous.

6.1. This Security Agreement shall inure to the benefit of, and shall be binding upon the respective successors, assigns, and legal representatives of the parties hereto.

6.2. The captions used herein are inserted for reference purposes only and shall not affect the interpretation or meaning of this Security Agreement.

6.3. Debtor hereby authorizes Secured Party, from time to time, to file financing statements in such form as may be necessary to perfect the security interest in the Collateral in any or all pertinent jurisdictions and in this regard, to execute said financing statements for itself (as secured party) and for Debtor (as debtor), as Debtor's agent. Upon Secured Party's request, Debtor shall execute any such financing statement as debtor.

SECURED PARTY:
FIVE FLAVORS FRANCHISING LLC

DEBTOR:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Dated: _____

Dated: _____

EXHIBIT C
ADDENDUM TO FRANCHISE AGREEMENT FOR KIOSK FRANCHISE

KIOSK ADDENDUM TO FRANCHISE AGREEMENT

This is an Addendum to The Original Rainbow Cone Franchise Agreement by and between Five Flavors Franchising LLC, an Illinois limited liability company, having its principal place of business at 6801 Roosevelt Road, Berwyn, Illinois 60402 (“**Franchisor**”) and _____ (“**Franchisee**”) executed simultaneously with this Addendum (the “Franchise Agreement”). All capitalized or initially capitalized terms used in this Addendum but not defined herein shall have the same meaning as ascribed to them in the Franchise Agreement. The Kiosk Franchise contemplated by this Addendum will be subject to all of the provisions contained in the Franchise Agreement, as modified by this Addendum.

1. The Kiosk Franchise which is the subject of this Addendum is either (i) a smaller, non-traditional unit located within a host premises of another restaurant or retail business or (ii) a stand-alone kiosk which is substantially smaller than the traditional The Original Rainbow Cone Business and is in a Captive Location.

2. Section 2.1 on Term is revised in part to state that the initial term of the Agreement is five (5) years from the date of execution of the Franchise Agreement.

3. Section 3.1 on Initial Franchise Fee is revised in part to state that the Initial Franchise Fee shall be Twenty Thousand Dollars (\$20,000.00).

4. Section 6.2 on Site Selection and Approval is revised in part to add: Franchisee must have a proposed site for the Kiosk approved by Franchisor within six (6) months of the date of the execution of this Agreement.

5. Section 6.5 on Franchisor Consent to Open is revised in part to add: Franchisee must have met the foregoing requirements and opened the Franchised Business within twelve (12) months of Franchisor’s written approval of the site for the Franchised Business for a site with ground up construction or within eight (8) months of Franchisor’s written approval of the site for an existing location.

6. The second sentence of Section 8.2 on Initial Training on manager training is revised to read as follows: Franchisor will provide initial owner training of approximately one (1) week to the Operating Owner, and the Operating Owner must attend and successfully complete such initial owner training. The Operating Owner and one manager must attend and successfully complete the initial operational training of approximately two (2) weeks in duration, although the length of training may change at Franchisor’s discretion and dependent upon the prior experience of the attendees.

7. The first sentence in Section 11.3 on Grand Opening Advertising and Marketing is revised to read as follows: Within the first ninety (90) days following the opening of the Franchised Business, Franchisee must spend on conducting an advertising and marketing campaign to promote the grand opening of the Franchised Business a minimum of Five Thousand Dollars (\$5,000.00).

8. The parties acknowledge and agree that Franchisee’s Kiosk Franchise will offer a more limited menu than the Free Standing or In-Line The Original Rainbow Cone Business. Once the location of the Kiosk Franchise is identified, the Franchisor will determine what menu items are to be offered at the Kiosk Franchise and will notify Franchisee in writing.

9. The parties acknowledge and agree that hours the Kiosk Franchise shall be required to operate may be modified to be consistent with the hours of operation of the host facility.

10. Any offering of delivery and catering services by Franchisee may only be done with the prior written consent of Franchisor, which consent may be reasonably withheld with consideration given to the type of facility in which the Kiosk Franchise is located and will be limited to an approved geographic area designated by franchisor.

11. All requirements regarding maintaining, upgrading, and/or remodeling the Premises of the Approved Location in Section 10 shall only apply to the portion of the host premises in which the Franchised Business is operated and to which Franchisee has sole possession.

12. The parties will fill in information and initial below if the Kiosk Franchise is seasonal based on the location of the Kiosk franchise.

The Kiosk Franchise shall only be required to operate during the following time period each calendar year: _____

Initials Franchisor _____ Franchisee _____

If the parties agree that the operation of the Kiosk Franchise Business will be seasonal, the Franchise Agreement shall not be subject to termination for failure to operate or abandonment under Section 16.2.b. if Franchisee does not operate the Business during the period of time each year that Franchisee is not required to operate.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed, sealed, and delivered this Addendum on the date set forth below each signature.

FRANCHISOR:

FRANCHISEE:

FIVE FLAVORS FRANCHISING LLC

[_____]

By: _____

Name: _____

Date:

Title: _____

Date: _____

Or if Franchisee is an entity:

Name: _____

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT D
AREA DEVELOPMENT AGREEMENT



AREA DEVELOPMENT AGREEMENT

FIVE FLAVORS FRANCHISING LLC

with

FIVE FLAVORS FRANCHISING LLC

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("this Agreement") is entered into by and between Five Flavors Franchising LLC, an Illinois limited liability company, having its principal place of business at 6801 Roosevelt Road, Berwyn, IL 60402 ("Franchisor", "we" or "us"), and _____, a _____ with a principal address of _____ ("Developer" or "you"). Certain provisions of this Agreement are applicable to the owners of Developer ("Owners") on whose business skill, financial capability and personal character we are relying in entering into this Agreement.

WITNESSETH:

WHEREAS, Franchisor and its affiliates have developed and own a unique system (the "System") for operating and granting others the right to own and operate businesses (a "The Original Rainbow Cone Business" or "The Original Rainbow Cone Businesses") which serve ice cream to the general public, with a menu featuring a variety of high quality ice cream cones, ice cream cakes, sundaes and shakes, packaged ice cream, mini-donuts and related products in a casual ice cream shop environment.

WHEREAS, Franchisor is in the business of offering and selling franchises The Original Rainbow Cone Businesses under the name, service marks and trademarks "THE ORIGINAL RAINBOW CONE," "RAINBOW CONE" and similar marks and logos (the "Marks") using certain procedures, techniques, business methods, business forms, business policies and a body of knowledge pertaining to the establishment and operation of The Original Rainbow Cone Businesses (the "System").

WHEREAS, Franchisor also grants development rights to persons or entities who meet our qualifications and who are willing to undertake the investment and effort necessary to establish, develop, own and operate multiple The Original Rainbow Cone Businesses in accordance with the System.

WHEREAS, you have expressed a desire to and have applied for the right to develop, own and operate a total of three (3) or more The Original Rainbow Cone Businesses and Franchisor has approved your application in reliance upon all of the representations made therein and is willing to grant to Developer the right to develop multiple The Original Rainbow Cone Businesses within a certain agreed upon territory on the terms and conditions set forth herein.

WHEREAS, Developer is signing simultaneously with this Agreement a Franchise Agreement for the establishment of its first The Original Rainbow Business.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

1. GRANT

1.1 We hereby grant to you, pursuant to the terms and conditions of this Agreement, the right to obtain licenses, subject to the terms of this Agreement, to establish and operate either: (1) a franchise for a traditional, free-standing The Original Rainbow Cone restaurant location ("Free Standing Franchise"); or

(2) a franchise for an Original Rainbow Cone restaurant in an inline location (“In-Line Franchise”) within the geographic area described in Exhibit A attached hereto and incorporated herein by this reference (“Development Area”). The Free-Standing Franchise and the In-Line Franchise are both referred to in as a Franchised Business. Notwithstanding Section 4.2 below, any and all rights in the Development Area granted to you under this Agreement expire upon the expiration of this Agreement, as defined in Section 4.1 below, or under the termination of this Agreement pursuant to Section 7 below.

1.2 You agree to be bound by the development schedule set forth in Exhibit B attached hereto (“Development Schedule”). Time is of the essence of this Agreement. Each Franchised Business must be established and operated pursuant to a separate Franchise Agreement (“Franchise Agreement”) to be entered into by you (or an entity owned by your Owners) and us. Each Franchise Agreement shall be in the form of Franchise Agreement being offered by us at the time you execute the Franchise Agreement, which may differ from the form of Franchise Agreement being offered by us on the date of execution of this Agreement, except that an addendum to the Franchise Agreement shall be entered into to incorporate terms of this Agreement relating to payments due under each Franchise Agreement. As long as you are in compliance with the Development Schedule herein at the time that you sign the Franchise Agreement, the royalty charged under the Franchise Agreement will be no higher than six percent (6%) of Gross Sales. If you are not in compliance with the Development Schedule herein at the time that you sign the Franchise Agreement, you will pay any higher royalty rate that is provided for in our then-current Franchise Agreement. The terms and conditions of each such Franchise Agreement shall control the establishment and operation of such Franchised Business.

1.3 Except as otherwise provided in this Agreement, and as long you are in compliance with the Development Schedule and otherwise in compliance with this Agreement, we shall not establish, nor license to anyone other than Developer the right to establish any Franchised Business in the Development Area prior to the expiration of the Development Schedule set forth in Exhibit B. We (and any affiliate) reserve the right to:

- (a) distribute products and services which comprise, may in the future comprise or which do not comprise, a part of the System through any alternative distribution channels including, but not limited to, supermarkets and other retail facilities, wholesale sale, catalogs, direct marketing, the Internet or similar electronic media, using the Marks (“Alternate Distribution Channels”);
- (b) establish The Original Rainbow Cone Kiosk businesses which are franchised, licensed or owned by Franchisor or any affiliate and located in a Captive Location, as that term is defined in Franchisor’s standard Franchise Agreement;
- (c) establish businesses which are franchised, licensed or owned by Franchisor or any affiliate at any locations Franchisor deems appropriate or distribute products or services which are similar to the products and services offered under the System under trade names, trademarks, service marks, trade dress or other commercial symbols other than the Marks.
- (d) acquire or be acquired by a Franchisor establishing businesses identical or similar to the Franchised Business, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including the Protected Area; and
- (e) implement and maintain multi-area marketing programs at any time, including internet and regional or national accounts. Franchisor reserves the right to establish mandatory policies and procedures for these multi-area marketing programs; and

(f) engage in any other business activities not expressly prohibited by this Agreement.

1.4 This Agreement is not a Franchise Agreement, and you shall have no right to use in any manner the System or the Marks by virtue of entering into this Agreement.

1.5 Developer shall have no right under this Agreement to license others to operate a business or use the System or the Marks.

2. FEES

2.1 Concurrent with the execution of this Agreement, you must execute a Franchise Agreement for the first Franchised Business to be developed and pay the initial franchise fee of Forty Thousand Dollars (\$40,000.00) due under said Franchise Agreement. As long as you are in compliance with the Development Schedule under this Agreement, the initial franchise fee for each remaining Franchise Agreement shall be Thirty-Two Thousand Dollars (\$32,000.00). If you are not in compliance with the Development Schedule at the time you sign any Franchise Agreement for any Franchised Business to be developed hereunder, you will pay the full initial franchise fee then being charged by us for the type of franchise you are purchasing.

2.2 Upon the execution of this Development Agreement, you shall pay a fee (“Development Fee”) in the amount of Sixteen Thousand Dollars (\$16,000.00) times the number of additional Franchised Business to be developed after the one for which Developer is signing a Franchise Agreement contemporaneously with this Development Agreement. The Development Fee is consideration for this Development Agreement, is fully earned by Franchisor upon execution of this Development Agreement and is non-refundable, notwithstanding any provision to the contrary contained in any Franchise Agreement. However, we will credit Sixteen Thousand Dollars (\$16,000.00) of the Development Fee against the Initial Franchise Fee for each additional Franchise Agreement for a Franchised Business executed pursuant to, and in accordance with, this Development Agreement.

Pursuant to the above paragraph and the Development Schedule, the Development Fee under this Agreement is _____ Dollars (\$_____).

2.3 A separate Franchise Agreement shall be executed for each additional Franchised Business. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such Franchised Business.

3. DEVELOPMENT OBLIGATIONS

3.1 The terms and conditions of this Agreement are contingent upon you being in full compliance with the Development Schedule. In addition, you must at all times after the opening of each Franchised Business continuously maintain in operation pursuant to each Franchise Agreement at least the number of Franchised Business set forth in the Development Schedule, and your Owners must at all times own a majority control over the entity that owns each Franchised Business developed hereunder. You may develop and open any Franchised Business earlier than the date set forth in the Development Schedule as long as you do so in compliance with this Agreement and the applicable Franchise Agreement.

3.2 You must develop each Franchised Business in the following manner:

(a) By giving us written notice of your intention to begin development of the next Franchised Business at least thirty (30) days before the execution of the Franchise Agreement for the

applicable restaurant;

(b) By submitting to us a description of the proposed site, together with a letter of intent in a form approved by us or other evidence satisfactory to us which confirms your favorable prospects for obtaining the proposed site and obtaining our written approval of the proposed site;

(c) By executing the then-current form of the Franchise Agreement for the applicable Franchised Business at the approved site and complying with its terms. We acknowledge that the franchisee for each Franchise Agreement may be a separate entity owned by your Owners.

(d) By executing a lease, in a form approved by us, or purchase agreement for the proposed site; and

(e) By meeting all of the requirements for developing and opening the Franchised Business under the terms of the applicable Franchise Agreement.

3.3 We will be obligated to execute the Franchise Agreement only if: (i) you continue to maintain the requisite knowledge, experience, skills, and financial resources to perform as a franchisee; (ii) you are in compliance with this Agreement, including but not limited to compliance with the Development Schedule and in compliance with the in-term covenants set forth in Paragraph 6.4; (iii) you (and/or an affiliate) are in compliance any and all existing Franchise Agreements between us.

3.4 Subject to our prior written approval, you may develop and open more Franchised Businesses in the Development Area than you are required to develop under the Development Schedule.

3.5 At Franchisor's request, Developer shall provide to Franchisor a periodic report of Developer's activities and progress in developing and establishing The Original Rainbow Cone Businesses under this Agreement. The reports shall be submitted in the form and in the manner specified by Franchisor.

3.6 You acknowledge that The Original Rainbow Cone Kiosk Franchises are not to be included in the three (3) or more Franchised Businesses you must open in the Development Area under the Development Schedule.

4. TERM AND RIGHT OF FIRST REFUSAL

4.1 Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement shall expire on the date you sign a Franchise Agreement for the last franchise to be developed under this Agreement. The term of this Agreement is not related or affected by the term of any franchise agreement, lease, or other agreement related to any Franchised Business. This Agreement does not contain or create any right to renewal. Notwithstanding Section 4.2 below, any and all rights in the Development Area granted to you under this Agreement expire upon the expiration of this Agreement.

4.2 Following the completion of the Development Schedule and the termination of your exclusive rights to the Development Area, provided you are in full compliance with this Agreement, you shall have the rights of first refusal set forth below:

(a) In the event we seek to establish or license others to establish a The Original Rainbow Cone Free Standing or In-Line business within the Development Area, we shall first offer you the option to establish such additional Franchised Business under our then-current terms and conditions. We shall

provide you with written notice of our intent to establish or license another to establish an additional Franchised Business along with a general description of the proposed Franchised Business, a copy of the then-current Franchise Disclosure Document and Franchise Agreement and all other documents we deem necessary to include with the notice. You shall have thirty (30) days from the receipt of our notice to exercise the option to establish such additional Franchised Businesses by executing the Franchise Agreement and all other documents we require for such additional Franchised Businesses and to pay the initial fee due under the agreement. If you fail to execute the Franchise Agreement and other required documents and to pay the initial fee required under the Franchise Agreement within the said thirty (30) day period, you shall have no further right to establish or operate such additional Franchised Business. Notwithstanding the foregoing, in the event our bona fide arrangements or agreements with a bona fide third party, the lease restrictions for the proposed premises of the Franchised Business, or other circumstances or conditions related to the establishment of the additional Franchised Business, prevent or restrict you from operating the additional Franchised Business or restrict or prevent us from offering you the rights set forth in this Paragraph, we shall have no obligation to offer you the right to establish or operate the additional Franchised Business.

5. DUTIES OF THE DEVELOPER

5.1 You shall perform the following obligations:

- (a) Comply with all terms and conditions set forth in this Agreement.
- (b) Comply with all of the terms and conditions of each Franchise Agreement including, without limitation, the operating requirements specified in each Franchise Agreement; however, we shall determine what, if any, initial training at our headquarters will be required of your Owners and managers in connection with the second or any subsequent Franchise Agreements.
- (c) Comply with the non-disclosure and non-competition obligations under Section 6 of this Agreement.

6. PROPRIETARY MARKS/CONFIDENTIAL INFORMATION

6.1 Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that under this Agreement we do not grant you any right to use the Marks. Any right to use the Marks is granted under the individual franchise agreements executed by you in connection with this Agreement. You must not use the Marks, or any portion of any Mark or any name confusingly similar to any Mark as part of your business entity name.

6.2 Confidential Information. For purposes of this Agreement, the term “Confidential Information” means information relating to Franchisor or the System that is not generally available to the public, including the Manual, operational standards, specifications, procedures and methods, recipes and food and preparation methods, prepared mixes, products, supplies, equipment, marketing, advertising and promotional material and methods, and accounting systems, and all other information and know-how relating to the methods of developing, operating and marketing the Franchised Business and the System. Confidential Information does not include information Developer can demonstrate came to Developer’s attention through legal methods other than by disclosure by Franchisor, or which, at the time of disclosure thereof by Franchisor to Developer, had become a part of the public domain, through publication or communication by others; or which, after disclosure to Developer by Franchisor, becomes a part of the public domain, through publication or communication by others.

6.3 Non-disclosure Agreement. You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development of Franchised Business under this Agreement, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition, a breach of this Agreement and copyright infringement. You acknowledge and agree that the Confidential Information belongs to us and our affiliate, is proprietary information, and may contain trade secrets belonging to us and our affiliate and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree herein, that you: (1) will not use the Confidential Information during and after the term of this Agreement in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to your employees and the use of non-disclosure and/or non-competition agreements we may prescribe for your employees who have access to the Confidential Information. Upon our request, you must provide us with copies of signed non-disclosure and/or non-competition agreements signed by any Owners, managers or employees. The restrictions on your disclosure and use of the Confidential Information will not apply to the following: (a) information, processes, or techniques which are generally known and used in the food and restaurant industry (as long as the availability is not because of a disclosure by you) and (b) disclosure of the Confidential Information in legal proceedings when you are legally required to disclose it and you have first given us the opportunity to obtain an appropriate legal protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

6.4 In-Term Non-Competition Agreement. You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information between you and us if you or your Owners were permitted to hold interests in any competitive businesses. “**Competitive Business**” as used herein is defined as any retail establishment that derives more than ten percent (10%) of its gross sales from ice cream. You also acknowledge that we have entered into this Agreement with you in part in consideration of, and in reliance on, your agreement to deal exclusively with us. Therefore, during the term of this Agreement, neither you, nor any Owner, may, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with, any person or legal entity, own, maintain, operate, engage in, consult with or have any interest in (as disclosed or beneficial owner) in any Competitive Business (other than through a franchise agreement with Franchisor), or any entity which is granting franchises or licenses for any Competitive Business . (The ownership of five percent (5%) or less of a publicly traded Franchisor will not be deemed to be prohibited by this paragraph.) Further, during the term of this Agreement, you will not (1) divert customers or business from any Franchised Business to any other business or (2) hire any employees of ours or our affiliates, subject to applicable law.

7. DEFAULT AND TERMINATION

7.1 The right to open Franchised Business has been granted in reliance on your representations and warranties, and strictly on the conditions set forth in this Development Agreement including, without limitation, the condition that you comply strictly with the Development Schedule.

7.2 You shall be in default under this Agreement, and all rights granted herein to you shall automatically terminate without notice or an opportunity to cure if:

(a) you are adjudicated bankrupt, become insolvent, commits any affirmative action of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of your property or any part thereof is appointed by a court of competent authority, or if you make a general assignment for the benefit of its creditors;

(b) a final judgment against your business assets remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed);

(c) execution is levied against your business or property;

(d) suit to foreclose any lien or mortgage against Developer's premises or business assets is instituted against you and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by you;

(e) the entity that is Developer is dissolved, or upon the death of one or more of your Owners;

(f) Developer or any of its shareholders, members, managers, partners, officers, directors or guarantors, is indicted for, convicted of, or pleads guilty to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, or the goodwill associated with the System and the Marks, or Franchisor's interest in the System or the Marks; or

(g) Developer, or any of its shareholders, members, managers, partners, officers or directors verbally or physically assaults or abuses any officer, director, member, manager or employee of Franchisor or any of its Affiliates, or any The Original Rainbow Cone franchisee or employees of franchisees, after receiving a verbal or written warning against this conduct from Franchisor regarding this conduct.

7.3 If you: (i) fail to meet any of the deadlines set forth in the Development Schedule; (ii) fail to comply with any other term and condition of this Agreement; (iii) make or attempt to make a transfer, sale or assignment of this Agreement in violation of this Agreement; or (iv) you or other entity owned by the Owners are in default under any individual Franchise Agreement with us, or of any other agreement to which we are parties; any such event shall constitute a default under this Agreement. Upon any such default, we, in our sole discretion, may do any one or more of the following:

(a) Terminate this Agreement and all rights granted hereunder to you without affording you any opportunity to cure the default effective immediately upon delivery to you of a written notice from us;

(b) Reduce the number of Franchised Business which you have the right to establish and open pursuant to this Agreement; or

(c) Exercise any other rights and remedies which we may have under applicable law.

7.4 Upon termination or expiration of this Agreement, all remaining rights granted to you to establish and open Franchised Business under this Agreement for which a Franchise Agreement has not been executed shall automatically be null and void. You shall have no right to establish, open or operate any

Franchised Business for which a Franchise Agreement has not been executed by us prior to the date of termination or expiration of this Agreement. Upon termination or expiration of this Agreement, we will have the right to establish ourselves or through an affiliate or grant to a third party the right to establish any The Original Rainbow Cone Business within the Development Territory as long as there is no violation of the territorial protections granted to you under existing individual Franchise Agreements.

7.5 No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto. The terms and conditions of each Franchise Agreement must be complied with by you or your affiliate as franchisee thereunder and shall control in determining whether any default exists under such Franchise Agreement.

7.6 No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

8. TRANSFERABILITY; ENTITY AS DEVELOPER

8.1 This Agreement is fully assignable by us and will inure to the benefit of any assignee or other legal successor to the interest of the Franchisor herein.

8.2 You understand and acknowledge that the rights granted to you in this Agreement are personal to you and that we granted them in reliance upon the qualifications of you or your Owners. You and your Owners shall not, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or in Developer to any third party, and nothing in this Agreement shall be construed as granting you the right to do so. Any purported assignment, sale or transfer by Developer or its Owners shall be null and void and shall constitute a material default hereunder. Any such purported assignment or transfer occurring by operation of law or otherwise, including any assignment by or to any trustee in bankruptcy, shall be a material default of this Agreement. You have represented and hereby represent to us that you are entering into this Agreement with the intention of complying with its terms and conditions through the term of this Agreement and not for the purpose of resale of the developmental rights hereunder.

9. POST-TERMINATION COVENANTS

9.1 Unless otherwise specified, the term "Developer" as used in this Section 9 shall include each and every Owner of Developer.

9.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will have access to the Confidential Information. Accordingly, Developer covenants that Developer and its Owners shall not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or entity:

(a) own, maintain, operate, engage in, consult with or have any interest in (as disclosed or beneficial owner) any Competitive Business or any entity which is franchises, licenses or develops Competitive Businesses within the Development Area, or within a ten (10) mile radius of any existing Franchised Business, except under a validly existing Franchise Agreement with Franchisor. You acknowledge and agree that, after the date of this Agreement, other Franchised Business may open, thereby expanding the geographical area in which you will not be able to compete with us.

(b) directly or indirectly divert or attempt to divert any former business or customer of a Franchised Business to any competitive business; and

(c) employ or seek to employ any person employed by us or our affiliate or by any other Franchised Business franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment, subject to applicable law;

The ownership of two percent (2%) or less of a publicly traded Franchisor will not be deemed to be prohibited by this paragraph.

9.3 Court Modification of Agreement. You agree that this form of Agreement is prepared for use in many jurisdictions with differing public policies and that such public policies change. Accordingly, you agree that the prevailing non-competition restrictions set forth above may be modified by a Court to the extent necessary to make the non-competition agreements valid and enforceable against you.

9.4 Enforcement of Covenants Not to Compete. You acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you hereby acknowledge that we may seek to obtain the entry of an injunction prohibiting any conduct by you or your Owners in violation of the terms of the covenants not to compete set forth in this Agreement. You expressly agree that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through your unlawful use of the Confidential Information. Further, you expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants not to compete set forth in this Agreement. You further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by us in connection with the enforcement of those covenants not to compete set forth in this Agreement.

9.5 In addition to the foregoing covenants, you, your Owners, and/or affiliates shall be bound by and comply with the covenants contained in each Franchise Agreement entered into by them.

10. NOTICES

All notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by U.S. Certified mail, Return Receipt Requested, or commercial overnight delivery service, or by e-mail transmission to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notice to Franchisor:
Five Flavors Franchising LLC
6801 Roosevelt Road
Berwyn, Illinois 60402
Attn: Brian Lansu
General Counsel
BLansu@buona.com
AND
Attn: Joseph Buonavolanto III
Vice President of Franchising
JB3@bouna.com

Notice to Developer:

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified and shall be deemed so delivered (i) at the time delivered by hand; (ii) one (1) business day after deposit within commercial overnight courier, (iii) three (3) business days after placement in the U.S. Mail by Certified Mail, Return Receipt Requested, postage prepaid and addressed, or (iv) on the date of transmission if an e-mail is sent on business days during business hours and there is confirmation of transmission (and if not sent during business hours, as of the next business day).

11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11.1. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

11.2 Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. You agree to take such actions as shall be necessary or as directed by us to that end.

11.3 You understand and agree that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we assume no liability for, nor shall we be deemed liable by reason of, any act or omission by you in the conduct of your business, or any claim or judgment arising therefrom. You shall indemnify and hold us, our officers, directors, employees and agents harmless against any and all such claims directly or indirectly from, as a result of, or in connection with your business operations under this Agreement or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

12. DISPUTE RESOLUTION

12.1 Mandatory Mediation. Except as otherwise specifically provided herein, prior to the initiation of litigation by either party pursuant to this Agreement, the parties must make a good faith effort to resolve any controversies between them by non-binding mediation either through a mutually acceptable mediator or through an established mediation service selected by Franchisor (in either case, "Mediator"). Mediation shall take place in the Cook County, Illinois. Prior to mediation, each party involved in mediation shall sign the standard confidentiality agreement reasonably required by Mediator or a confidentiality agreement reasonably required by Franchisor if the Mediator does not have a standard confidentiality agreement. No litigation proceeding may be commenced until the earlier of thirty (30) days from the selection of the Mediator, or the mutual agreement by both parties that mediation has been unsuccessful, or if the notified party fails to respond to the requesting party within thirty (30) days of the delivery of notice requesting mediation. The parties will share equally all fees and expenses of the mediator, and each party shall bear its own costs otherwise. Each party hereby agrees that all statements made in the course of mediation shall be strictly confidential, and shall not be disclosed to or shared with any third parties, other than the mediator. Each party also agrees that any documents or data specifically prepared for use in good faith negotiations and/or mediation shall not be disclosed to or shared with any third party except those parties whose presence is necessary to facilitate the mediation process. The parties agree not to make copies of any such documents, and to return them to the other party upon the conclusion of the mediation. Each party agrees and acknowledges that no statements made in, or evidence specifically prepared for mediation shall be admissible for any purpose in any subsequent proceedings. Notwithstanding the foregoing, Franchisor shall have no obligation to mediate claims that are the subject of Paragraph 12.2 herein.

12.2 Specific Performance; Injunctive Relief. Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to seek the entry of temporary and permanent injunctions and orders of specific performance to: (i) enforce the provisions of this Agreement relating to your use of the Marks and the non-disclosure and non-competition obligations under this Agreement; (ii) prohibit any act or omission by Developer or its Owners that constitutes a violation of any applicable law, ordinance or regulation, constitutes a danger to the public, or may impair the goodwill associated with the Marks or The Original Rainbow Cone franchises; (iii) prevent any other irreparable harm to our interests; (iv) enforce your obligations upon termination or expiration of this Agreement; and (v) prohibit an assignment or attempted assignment of any interest in this Agreement or Developer in violation of the applicable provisions of this Agreement. If we obtain an injunction or order of specific performance, you agree to pay us an amount equal to the total of our costs of obtaining it, including, without limitation, reasonable attorneys' fees, expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages we incur as a result of the breach of any such provision. You further agree to waive any claims for damages in the event there is a later determination that an injunction or specific performance order was issued improperly.

12.3 Arbitration. Except for controversies, disputes or claims related to or based on Developer's use of the Marks or Confidential Information, Developer's compliance with its non-competition obligations, all controversies, disputes or claims between Franchisor, its affiliates, and their respective owners, officers, directors, agents, employees and attorneys, and Developer (its affiliates and owners and guarantors, if applicable), arising out of or related to this Agreement or any other agreement between the parties; the parties' rights and obligations under this Agreement; Franchisor's relationship with Developer or the obligations by and between the parties; or the validity of this Agreement or any other agreement between Franchisor and Developer or any provision of such agreements, will be submitted to binding Arbitration administered by the American Arbitration

Association (“AAA”) in accordance with the AAA’s then-current Commercial Arbitration Rules. The arbitration hearing shall take place in Cook County, Illinois, before a single arbitrator. Any party who fails or refuses to submit any dispute to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration. The parties shall have thirty days after the service of a Statement of Claim and demand for arbitration to agree on a single arbitrator. If the parties cannot agree on a single arbitrator, the matter will be filed with and administered by the AAA, or if AAA is not available, any comparable arbitration body.

12.4 Scope of Arbitration. The arbitrator shall have the right to award or include in the award any relief which he or she deems proper in the circumstances including but not limited to money damages (with interest on unpaid amounts from the date due), specific performance and attorneys’ fees and costs, in accordance with this Agreement. THE FOREGOING TO THE CONTRARY NOTWITHSTANDING, THE ARBITRATOR MUST NOT AWARD CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES. THE PARTIES (AND THEIR OWNERS AND GUARANTORS, IF APPLICABLE) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT IN A DISPUTE BETWEEN THEM, EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT. The award and decision of the arbitrator shall be conclusive and binding upon all parties to this Agreement and judgment upon the award may be entered in any court of competent jurisdiction. Franchisor and Developer agree that, in connection with any arbitration proceeding, each shall file any compulsory counterclaim (as defined by the Federal Rules of Civil Procedure) within thirty (30) days after the date of the filing of the claim to which it relates.

12.5 Limitations on Proceedings.

(a) Franchisor and Developer agree that arbitration will be conducted on an individual basis only, and not on a joint, collective or class-wide basis, and that an arbitration proceeding between Franchisor and its Affiliates, and Developer and its shareholders, officers, directors, members, managers, employees and agents, may not be consolidated or joined with any other arbitration proceeding between Franchisor and any other person or entity. Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving Franchisor and Developer. Further, neither Franchisor nor Developer shall attempt to consolidate or otherwise combine in any manner, an arbitration proceeding involving Franchisor and Developer with another arbitration of any kind, nor shall Franchisor or Developer attempt to certify a class or participate as a party in a class action against the other.

(b) The foregoing notwithstanding, in the event Developer controls, is controlled by, or is in active concert with another developer of Franchisor, or there is a guarantor of some or all of Developer’s obligations to Franchisor, then the joinder of those parties to any arbitration between Franchisor and Developer shall be permitted, and in all events, the joinder of an owner, director, officer, member, manager, partner or other representative or agent of Franchisor or Developer shall be permitted.

12.6 Governing Law/Consent to Jurisdiction. All arbitration proceedings between Franchisor and Developer shall be governed by the Federal Arbitration Act (“FAA”) and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*) or other federal law, this Agreement shall be interpreted and governed under

the laws of the State of Illinois and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Illinois, which laws shall prevail if there is any conflict of law. Developer and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Developer and/or any affiliate of Developer and Franchisor, its Affiliates and their respective officers, directors, members, managers, and employees, the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Cook County, Illinois or in arbitration in Cook County, Illinois pursuant to this Article XII, and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Cook County, Illinois or to arbitration in Cook County, Illinois pursuant to this Article XII. Franchisor, Franchisor's Affiliates, Developer and Developer's Affiliates each waive their rights to a trial by jury.

12.6 Cumulative Remedies. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy herein, or by law or equity provided or permitted, but each shall be cumulative of any other right or remedy provided in this Agreement.

12.7 Injunctive Relief. Notwithstanding the above arbitration provisions, Franchisor and Developer will each have the right in a proper case to seek injunctive relief and any damages incidental thereto from a court of competent jurisdiction. Developer agrees that Franchisor may obtain this injunctive relief, without posting a bond or bonds in excess of a total of One Thousand Dollars (\$1,000.00), but upon due notice, and Developer's sole remedy in the event of the entry of any injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had; however, all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived by Developer. Any such action will be brought as provided in this Article and the prevailing party shall be entitled to its costs and attorneys' fees.

12.8 Limitations on Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any and all claims and actions arising out of or relating to this Agreement (including, but not limited to, the offer and sale of this franchise), the relationship of Developer and Franchisor, or Developer's Development Schedule, brought by Developer must be commenced within one (1) year from the occurrence of the events giving rise to such claims or action, or such claim or action shall be barred.

12.9 DAMAGES. FRANCHISOR AND DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

12.10 Costs and Attorney's Fees. If a claim for amounts owed by Developer to Franchisor or its affiliates is asserted in any legal proceeding before a court of competent jurisdiction, or if Developer or Franchisor is required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees, expert witness fees, court costs and other expenses of litigation, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement.

13. MISCELLANEOUS.

13.1 Invalid Provisions; Substitution of Valid Provisions. To the extent that any provision of this Agreement is deemed unenforceable, you agree that the invalid provision will be deemed modified or limited to the extent or manner necessary to make that particular provision valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in that provision under the laws applied in the forum in which we are seeking to enforce it.

13.2 Severability; Construction. The provisions of this Agreement are deemed to be severable. The parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement. All headings of the various Sections and Paragraphs of this Agreement are for convenience only and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, neuter or singular usage will be construed to include the masculine, feminine, neuter or plural, wherever applicable.

13.3 Waiver of Obligations. Either you or the Franchisor may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to our continuing review, and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days prior written notice.

Neither you nor the Franchisor will be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to terminate the Franchise prior to the expiration of its terms), by virtue of any failure, refusal or neglect of either of us to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder.

13.4 Entire Agreement; Modification. This Agreement and all exhibits to this Agreement constitute the entire understanding and agreement between the parties and there are no other oral or written understandings or agreements between the parties, and no oral or written representations by the Franchisor relating to the subject matter of this Agreement, except for those contained in the Franchise Disclosure Document provided to Developer (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Nothing in this Section is intended as, nor shall it be interpreted to be, a disclaimer by the Franchisor of any representation made in its Franchise Disclosure Documents, including the exhibits and any amendments thereto. Except for modifications permitted to be made unilaterally by us, this Agreement may be modified only by written agreement signed by both you and us.

13.5 Force Majeure. Neither you nor the Franchisor will be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform our respective obligations results from: (1) transportation shortages or inadequate supply of labor, material or energy beyond the control of the parties, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war, riot, acts of terrorism, or pandemic; or (6) any other similar event or cause. Any delay resulting from any of the causes set forth above

will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable. However, this clause shall not apply or not result in an extension of the term of this Agreement.

13.6 No Liability to Others; No Other Beneficiaries. We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement, and no other party will have, or is intended to have, any rights because of this Agreement. We do not warrant that the obligations of this Agreement have been agreed to by or will be enforced against any of our other developers.

14. SUPERIORITY OF FRANCHISE AGREEMENT

For each Franchised Business developed in the Development Area, a separate Franchise Agreement shall be executed and the individual franchise fee as prescribed hereunder shall be paid to us. It is understood and agreed by you that any and all Franchise Agreements executed in connection with Franchised Business developed by you within the Development Area under this Agreement are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed within the Development Area, the Franchise Agreement shall have precedence and superiority over this Agreement.

15. OWNER GUARANTY.

This Agreement must be personally guaranteed and the obligations hereunder assumed by the all of the Owners of the Developer, and all such Owners must execute the Guaranty and Assumption of Obligations which is attached hereto as Exhibit C concurrently with the execution of this Agreement by Developer.

16. ACKNOWLEDGEMENTS

16.1 You and your Owners affirm that all information you have given to us in any and all applications, financial statements and other submissions is true, complete and accurate in all respects, with you expressly acknowledging that we are relying upon the truthfulness, completeness and accuracy of such information.

16.2. You have conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, an investment in Franchised Business franchises involves business risks and that the success of the venture is primarily dependent upon your business abilities and efforts, your active participation in the operation of the business, and other factors beyond our control.

17. EXECUTION OF AGREEMENT.

This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by facsimile, e-mail or other functionally equivalent electronic means of transmission constitutes valid and effective delivery.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement on the dates set forth below each signature.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability Franchisor

DEVELOPER:
[ENTITY NAME]
A _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Dated: _____

Dated: _____

EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT

DESCRIPTION OF DEVELOPMENT AREA

[Insert description]

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability Franchisor

DEVELOPER:
[ENTITY NAME]
A _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Dated: _____

Dated: _____

EXHIBIT B TO THE AREA DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

Developer is obligated under this Agreement to develop, open and operate a minimum of three (3) Free Standing or In-Line The Original Rainbow Cone Businesses. On or before the date set forth below, Developer is obligated by this Agreement to have signed Franchise Agreements, signed leases or purchase agreements, and commenced operating Franchised Business:

<u>Last date for Execution of Franchise Agreement</u>	<u>Last date for Obtaining Franchisor's Approval of the Site</u>	<u>Date for Commencement of Operations</u>
<u>Upon the execution of this Agreement</u>	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability Franchisor

By: _____
Name: _____
Title: _____

Dated: _____

DEVELOPER:
[ENTITY NAME]
A _____

By: _____
Name: _____
Title: _____

Dated: _____

EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT

THIS GUARANTY AND ASSUMPTION OF DEVELOPER’S OBLIGATIONS (“**Guaranty**”) is made as of _____, 20__, in consideration of, and as an inducement to, the execution of the Franchise Agreement by Five Flavors Franchising LLC, an Illinois limited liability company (“Franchisor”). In consideration thereof, each of the undersigned hereby jointly and severally, personally and unconditionally agrees as follows:

1. **Guaranty.** Guarantor(s) hereby unconditionally and absolutely warrants and guarantees to Franchisor that _____ (“Developer”) shall punctually pay and perform in full each and every undertaking, agreement and covenant set forth in the Franchise Agreement;

2. **Obligations of Guarantor Upon Event of Default.** Should a Default (as defined in the Franchise Agreement) occur, Guarantor(s) shall diligently proceed to cure such Default at Guarantor’s sole cost and expense;

3. **Nature of Guaranty.** This Guaranty is an original and independent obligation of Guarantor(s), separate and distinct from Developer’s obligations to Franchisor under the Area Development Agreement. The obligations of Guarantor to Franchisor under this Guaranty are direct and primary, regardless of the validity or enforceability of the Franchise Agreement. This Guaranty is for the benefit of Franchisor and is not for the benefit of any third party. This Guaranty shall continue until all obligations of Guarantor to Franchisor under this Guaranty have been performed in full.

4. **Guarantor’s Authorization to Franchisor.** Guarantor(s) authorizes Franchisor, without notice or demand and without lessening Guarantor’s liability under this Guaranty, from time to time: (a) to make or approve changes to the Franchise Agreement; (b) to repeatedly compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Franchise Agreement; (c) to take and hold security for the payment of amounts due under the Franchise Agreement or this Guaranty, and exchange, enforce, waive, and release any such security, with or without the substitution of new collateral; (d) to determine how, when, and what application of payments and credits shall be made on amounts due under the Franchise Agreement; and (j) to assign or transfer this Guaranty, in whole or in part.

5. **Guarantor’s Representations and Warranties.** Guarantor(s) represents and warrants to Franchisor that: (a) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (b) this Guaranty is executed at Developer’s request and Franchisor would not execute the Franchise Agreement were it not for the execution and delivery of this Guaranty; (c) Guarantor has not and will not, without the prior written consent of Franchisor, sell, lease, assign, encumber, hypothecate, transfer or otherwise dispose of all, or substantially all, of Guarantor’s assets, or any interest therein if any such event would have a material negative effect on Guarantor’s ability to perform its obligations under this Guarantor or the Franchise Agreement; (d) neither the execution nor the delivery of this Guaranty, nor compliance with the terms hereof, will conflict with or result in the breach of any law or statute, will constitute a breach or default under any agreement or instrument to which Guarantor may be a party, or will result in the creation or imposition of any charge or lien upon any property or assets of Guarantor; (e) Franchisor has made no representation to Guarantor as to the creditworthiness of Guarantor; and (f)

Guarantor has established adequate means of obtaining from Developer, on a continuing basis, information regarding Developer's financial condition. Guarantor agrees to keep adequately informed of any facts, events or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information from Guarantor, Franchisor shall have no obligation to disclose to Guarantor any information or documents acquired by Franchisor in the course of its relationship with Developer.

6. **Guarantor's Waivers.** Except as prohibited by applicable law, Guarantor waives any right to require Franchisor: (a) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any amount due to Franchisor under the Franchise Agreement or related to any security agreement; (b) to resort for payment or to proceed direction or at once against any person, including Guarantor or any other guarantor; (c) to proceed directly against or exhaust any collateral held by Franchisor against Developer, any other guarantor or any other person; (d) to give notice of the terms, time and place of any public or private sale of personal property security held by Franchisor from Developer, except as required under applicable provisions of the Uniform Commercial Code; or (e) to pursue any other remedy within Franchisor's power.

Guarantor also waives any and all rights or defenses arising by reason of (a) any "one action" or "anti-deficiency" law or any other law which may prevent Franchisor from bringing any action, including a claim for deficiency, against Guarantor, before or after Franchisor's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (b) any election of remedies by Franchisor which, until Developer's indebtedness is paid in full, destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Developer for reimbursement, including, without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging any payments due to Franchisor under the Franchise Agreement; (c) any disability or other defense of Guarantor, or any other guarantor, or of any other person, or by reason of the cessation of Guarantor's liability from any cause whatsoever, other than payment in full in legal tender of any amount due from Developer to Franchisor; (d) any failure or invalidity of, or any defect in, the Franchise Agreement or Area Development Agreement; (e) any right to claim discharge of any amounts due to Franchisor on the basis of unjustified impairment of any collateral for any payments due; or (f) any statute of limitations, if at any time any action or suit brought by Franchisor against Guarantor is commenced there is outstanding payment due to Franchisor by Developer which is not barred by any application statute of limitations.

Until all amounts due and owing to Franchisor by Developer are paid in full, Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment, or similar right, whether such claim, demand, or right, may be asserted by Developer, Guarantor, or both.

7. **Guarantor's Understanding with Respect to Waivers.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of the significance and consequences thereof, and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law.

8. **Rights and Remedies.** If Guarantor shall fail to perform promptly as provided in this Guaranty, Franchisor shall have the following rights and remedies:

- (a) Perform Work. Franchisor may, at its option, proceed to perform on behalf of Guarantor any and all work related to the Franchise Business (as that term is described in the Franchise Agreement) and to pay any costs incurred in connection with the work. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (b) Cure Defaults. Franchisor may, but without any obligation to do so, cure any defaults, including without limitation, paying any unpaid bills and liens, including without limitation those for construction, labor, and materials. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (c) Specific Performance. From time to time and without first requiring performance on the part of Developer and without being required to exhaust any security held by Franchisor, to require Guarantor specifically to perform Guarantor's obligations under this Guaranty, by action at law or in equity or both, and further, to collect in any such action, compensation for all loss, cost, damage, injury and expense sustained or incurred by Franchisor as a direct or indirect consequence of Guarantor's failure to perform, with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (d) Other Rights and Remedies. In addition, Franchisor shall have and may exercise any or all of the rights and remedies it may have available at law, in equity, or otherwise.

9. **Subordination of Developer's Debt to Guarantor.** Guarantor agrees that, until full payment of the amounts due to Franchisor from Developer under the Franchise Agreement, these amounts, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Developer, whether or not Developer becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Developer, upon any account whatsoever, to any claim that Franchisor may now or hereafter have against Developer. In the event of insolvency and consequent liquidation of the assets of Developer through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Developer applicable to the payment of the claims of both Franchisor and Guarantor shall be paid to Franchisor and shall be first applied by Franchisor to the amounts due to Franchisor from Developer. Guarantor does hereby assign to Franchisor all claims which they may have or acquire against Developer or against any assignee or trustee in bankruptcy of Developer; provided however, that such assignment shall be effective only for the purpose of assuring to Franchisor full payment of all amounts due under the Franchise Agreement. Guarantor agrees, and Franchisor is hereby authorized, in the name of Guarantor and from time to time, to execute and file financing statements and continuation statements and to execute such other documents and to take such other actions as Franchisor deems reasonably

necessary or appropriate under applicable law to perfect, preserve and enforce its rights under this Guaranty.

10. **Miscellaneous Provisions.** The following miscellaneous provisions are a part of this Guaranty:

- (a) **Amendments.** This Guaranty, together with any related documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of, or amendment to, this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound with the alteration or amendment.
- (b) **Attorneys' Fees; Expenses.** Guarantor agrees to pay, upon demand, all of Franchisor's costs and expenses, including Franchisor's reasonable attorneys' fees and Franchisor's legal expenses, incurred in connection with the enforcement of this Guaranty. Franchisor may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Franchisor's reasonable attorneys' fees and legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.
- (c) **Caption Headings.** Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.
- (d) **Governing Law.** This Guaranty will be governed by, construed and enforced in accordance with, federal law and the laws of the State of Illinois. This Guaranty has been accepted by Franchisor in the State of Illinois.
- (e) **Choice of Venue.** If there is a lawsuit, Guarantor agrees, upon Franchisor's request, to submit to the jurisdiction of the courts of the State of Illinois.
- (f) **No Waiver by Franchisor.** Franchisor shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Franchisor. No delay or omission on the part of Franchisor in exercising any right shall operate as a waiver of such right or any other right. A waiver by Franchisor of a provision of this Guaranty shall not prejudice or constitute a waiver of Franchisor's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Franchisor, nor any course of dealing between Franchisor and Guarantor, shall constitute a waiver of any of Franchisor's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Franchisor is required under this Guaranty, the granting of such consent by Franchisor in any instance shall not constitute continuing consent to subsequent instances

where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Franchisor.

- (g) Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified mail, postage prepaid, and addressed as prescribed in the Franchise Agreement and as disclosed in the Statement of Ownership attached thereto.

Any party may change its address for notices under this Guaranty by giving formal written notice in accordance herewith, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Franchisor informed at all times of Guarantor's current address.

- (h) Severability. If a court of competent jurisdiction finds any provision of this Guaranty to be illegal, invalid or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid or unenforceable as to any other circumstances. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Guaranty. Unless otherwise required by law, the illegality, invalidity or unenforceability of any provision of this Guaranty shall not affect the legality validity or enforceability of any other provision of this Guaranty.
- (i) Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interests, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Guarantor, Franchisor, without notice to Guarantor, may deal with Guarantor's successors with reference to this Guaranty and the Loan by way of forbearance or extension without releasing Guarantor from the obligations of this Guaranty or liability for payments due under the Franchise Agreement.

11. Definitions. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code.

- (a) Developer. The word "**Developer**" means _____, and all other persons and entities signing the Franchise Agreement in whatever capacity.

- (b) Guarantor. The word “**Guarantor**” means each and every person or entity signing this Guaranty.
- (c) Franchisor. The word “**Franchisor**” means Five Flavors Franchising LLC, its successors and assigns.

[remainder of page intentionally left blank]

THE UNDERSIGNED GUARANTOR(S) ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO FRANCHISOR. NO FORMAL ACCEPTANCE BY FRANCHISOR IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED AS OF _____, 20__.

_____, an _____

Percentage ownership
in Developer: ____%

Print Name: _____
Title, as applicable: _____

_____, an _____

Percentage ownership
in Developer: ____%

Print Name: _____
Title, as applicable: _____

Percentage ownership must equal 100

EXHIBIT E
FINANCIAL STATEMENTS

FIVE FLAVORS FRANCHISING LLC
FINANCIAL STATEMENTS
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023

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INDEPENDENT AUDITORS' REPORT

To the Members
Five Flavors Franchising LLC
Berwyn, Illinois 60402

Opinion

We have audited the accompanying financial statements of Five Flavors Franchising LLC (the Company), which comprise the balance sheets as of December 31, 2023 and January 1, 2023, and the related statements of operations, changes in members' equity (deficit), and cash flows for the fifty-two week periods then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Five Flavors Franchising LLC as of December 31, 2023 and January 1, 2023, and the results of its operations and its cash flows for the fifty-two week periods then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Adoption of New Accounting Principle

As more fully described in Note 10 to the financial statements, as of January 2, 2023, the Company adopted a new accounting principle that prescribes the recognition, measurement, presentation, and disclosure requirements related to the allowance for credit losses.



R.J. Augustine & Associates, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

April 18, 2024

FIVE FLAVORS FRANCHISING LLC
BALANCE SHEETS
DECEMBER 31, 2023 AND JANUARY 1, 2023

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash	\$ 565,409	\$ 189,244
Marketing Fund Cash, Restricted	410	-
Accounts Receivable - License Income	26,081	5,979
Accounts Receivable - Training Fee	-	10,000
Inventory - Smallwares	6,844	-
Due from Affiliate	122,602	30,000
Prepaid Insurance	8,094	7,535
TOTAL CURRENT ASSETS	<u>729,440</u>	<u>242,758</u>
OTHER NON-CURRENT ASSETS		
Goodwill	1,140,000	1,140,000
Less: Accumulated Amortization	<u>(563,667)</u>	<u>(449,667)</u>
TOTAL OTHER NON-CURRENT ASSETS	<u>576,333</u>	<u>690,333</u>
TOTAL ASSETS	<u>\$ 1,305,773</u>	<u>\$ 933,091</u>

See independent auditors' report.

The accompanying notes are an integral part of the financial statements.

**FIVE FLAVORS FRANCHISING LLC
BALANCE SHEETS
DECEMBER 31, 2023 AND JANUARY 1, 2023**

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ -	\$ 96,854
Current Portion of Deferred Revenue	33,500	17,000
Accounts Payable	9,464	2,450
Accrued Expenses	606	6,995
Deposits - Training Fees	80,000	40,000
Due to Lynn Sapp	-	10,000
Due to Affiliates	103,185	2,680
Due to Rainbow Cone LLC	105,767	85,290
TOTAL CURRENT LIABILITIES	<u>332,522</u>	<u>261,269</u>
LONG-TERM LIABILITIES		
Deferred Revenue, less Current Portion	390,157	145,875
Note Payable - Rainbow Cone LLC	600,000	600,000
TOTAL LONG-TERM LIABILITIES	<u>990,157</u>	<u>745,875</u>
TOTAL LIABILITIES	<u>1,322,679</u>	<u>1,007,144</u>
MEMBERS' EQUITY (DEFICIT)		
Members' Withdrawals	(45,348)	-
Members' Equity (Deficit)	28,442	(74,053)
TOTAL MEMBERS' EQUITY (DEFICIT)	<u>(16,906)</u>	<u>(74,053)</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	<u>\$ 1,305,773</u>	<u>\$ 933,091</u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

**FIVE FLAVORS FRANCHISING LLC
INCOME STATEMENTS
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023**

	<u>2023</u>	<u>2022</u>
REVENUE		
License Fee Income - Affiliates	\$ 499,620	\$ 324,373
License Fee Income - Royalty	15,578	-
License Fee Income - Initial	21,385	6,375
License Fee Income - Nonrefundable Fees	18,833	-
Marketing Fund Income	4,453	-
Technology Fee Income	6,150	-
Training Fees	16,200	-
	<u>582,219</u>	<u>330,748</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Operating Expenses - Schedule 1	321,087	162,490
Marketing Fund Expenses	4,453	-
	<u>325,540</u>	<u>162,490</u>
GENERAL AND ADMINISTRATIVE EXPENSES	<u>325,540</u>	<u>162,490</u>
OPERATING INCOME	<u>256,679</u>	<u>168,258</u>
OTHER INCOME (EXPENSES)		
Interest Expense	(22,688)	(25,955)
Management Fees	(131,496)	(97,415)
	<u>(154,184)</u>	<u>(123,370)</u>
TOTAL OTHER INCOME (EXPENSES)	<u>(154,184)</u>	<u>(123,370)</u>
NET INCOME	<u>\$ 102,495</u>	<u>\$ 44,888</u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

FIVE FLAVORS FRANCHISING LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023

	<u>3RD GEN LLC</u>	<u>SANJUAN LLC</u>	<u>422 INVEST, LLC</u>	<u>JJA HOLD, LLC</u>	<u>TACITUS LLC</u>	<u>LYNN SAPP</u>	<u>TOTAL</u>
BEGINNING BALANCE, JANUARY 3, 2022	\$ (13,072)	\$ (13,072)	\$ (13,072)	\$ (13,072)	\$ (13,072)	\$ (43,581)	\$ (108,941)
Member's Equity Buyout	-	-	-	-	-	(10,000)	(10,000)
Members' Equity Redistribution	(10,717)	(10,716)	(10,716)	(10,716)	(10,716)	53,581	-
Revised Balance, January 3, 2022	(23,789)	(23,788)	(23,788)	(23,788)	(23,788)	-	(118,941)
Net Income	8,978	8,977	8,977	8,978	8,978	-	44,888
ENDING BALANCE, JANUARY 1, 2023	(14,811)	(14,811)	(14,811)	(14,810)	(14,810)	-	(74,053)
Members' Withdrawals	(12,791)	(12,791)	(12,791)	(5,475)	(1,500)	-	(45,348)
Net Income	20,499	20,499	20,499	20,499	20,499	-	102,495
ENDING BALANCE, DECEMBER 31, 2023	<u>\$ (7,103)</u>	<u>\$ (7,103)</u>	<u>\$ (7,103)</u>	<u>\$ 214</u>	<u>\$ 4,189</u>	<u>\$ -</u>	<u>\$ (16,906)</u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

**FIVE FLAVORS FRANCHISING LLC
STATEMENTS OF CASH FLOWS
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 102,495	\$ 44,888
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Amortization Expense	114,000	114,000
Changes in Assets and Liabilities:		
Accounts Receivable	(10,102)	161
Inventory	(6,844)	-
Prepaid Expenses	(559)	(7,535)
Deferred Revenue	260,782	146,625
Due from Affiliates	(92,602)	(30,000)
Accounts Payable	7,014	2,450
Due to Affiliates	100,505	2,680
Accrued Expenses	(6,389)	6,995
Deposits - Training Fees	40,000	40,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>508,300</u>	<u>320,264</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Due to Lynn Sapp	(10,000)	10,000
Due to Rainbow Cone LLC	20,477	(98,888)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>10,477</u>	<u>(88,888)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Members' Withdrawals	(45,348)	-
Member's Equity Buyout	-	(10,000)
Payments of Long-Term Debt	(96,854)	(82,135)
NET CASH USED IN FINANCING ACTIVITIES	<u>(142,202)</u>	<u>(92,135)</u>
NET INCREASE IN CASH	376,575	139,241
CASH AT BEGINNING OF FISCAL YEAR	<u>189,244</u>	<u>50,003</u>
CASH AT END OF FISCAL YEAR	<u>\$ 565,819</u>	<u>\$ 189,244</u>
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	<u>\$ 22,688</u>	<u>\$ 25,955</u>

See independent auditors' report.

The accompanying notes are an integral part of the financial statements.

**FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF OPERATIONS:

Five Flavors Franchising LLC (the Company), a limited liability company, is a franchisor of ice cream shops. Major sources of revenue will include franchise sales and royalty payments. The entity was organized on July 23, 2018 and will continue on a perpetual basis.

FISCAL YEAR:

The Company maintains a fiscal year ending on the Sunday nearest to December 31 of each year. The 2023 fiscal year ended on December 31, 2023 and the 2022 fiscal year ended on January 1, 2023. The 2023 and 2022 fiscal years each consisted of 52 weeks.

METHOD OF ACCOUNTING:

The Company maintains its accounting records under the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

CASH AND CASH EQUIVALENTS:

The Company considers all short-term, highly-liquid unrestricted investments with original maturities of three months or less when purchased to be cash equivalents.

As of December 31, 2023, we held \$410 of marketing fund restricted cash and cash equivalents which can only be used for advertising, marketing, and promotional programs. There was no restricted cash as of January 1, 2023.

CONCENTRATION OF CASH ON DEPOSIT AND UNINSURED CASH BALANCES:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts of each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2023, the Company had approximately \$109,000 in excess of FDIC insured limits.

ACCOUNTS RECEIVABLE:

Accounts receivable consist primarily of fees due principally from franchisees. Accounts receivable are reported at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to a valuation allowance for bad debts and a credit to accounts receivable. There was no bad debt expense for the fiscal years ended December 31, 2023 or January 1, 2023.

ALLOWANCES FOR CREDIT LOSSES:

The Company closely monitors accounts receivable balances and estimates the allowance for credit losses. These estimates are based on historical collection experience and other factors, including those related to current market conditions and events. The Company's allowance for accounts receivable have not been material.

See independent auditors' report.

**FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023**

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

INVENTORY:

Inventory is valued is the lower of cost (on a first-in, first-out basis) or net realizable value. Inventory at December 31, 2023 was comprised of smallwares.

GOODWILL:

Goodwill represents costs in excess of fair values assigned to the underlying net assets acquired. The Company elected the accounting alternative provided by ASU 2014-2, Intangibles – Goodwill and Other (Topic 350) – Accounting for Goodwill. Under the alternative, private companies can amortize goodwill on a straight line basis over a period of ten years or less if the company demonstrates that another useful life is more appropriate. See Note 9 for changes in Goodwill.

REVENUE RECOGNITION:

Accounting Standards Codification Topic 606 (Topic 606), Revenue from Contracts with Customers, impacted the timing of recognition of franchise fees (individual and area).

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides under the area development agreements ("ADAs") and franchise agreement are highly interrelated, not distinct with the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement. License revenue is recognized ratably over the term of the contract, as substantially all terms have been met. The effect of the required deferral of fees received in a given year will be mitigated by the recognition of revenue from fees retrospectively deferred from prior years.

Royalties and franchisee contributions to national marketing funds are calculated as a percentage of franchise gross sales subject to fees over the term of the franchise agreement. Under the franchise agreement, marketing contributions paid by franchisees must be spent on advertising, marketing, and promotions. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. Franchise royalties, as well as marketing fund contributions, represent sales-based royalties that are related entirely to the performance obligation under the franchise agreement and are recognized as franchise sales occur. Payments for royalties and fees are generally due within seven days of the prior week end date.

Initial and successor franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. ADAs generally consist of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is accounted for identically to the franchise fee.

DEFERRED REVENUE:

Franchise deferred revenue results from initial and successor franchise fees and ADA fees paid by franchisees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. Deposits on training fees are classified as current on the balance sheet and revenue is recognized during the period of training.

See independent auditors' report.

**FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023**

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

ADVERTISING:

Advertising costs are charged to operations when incurred. Advertising costs totaled \$83,125 for the year ended December 31, 2023. There were no advertising costs for the year ended January 1, 2023.

MARKETING FUND EXPENSES:

Franchisees are generally required to contribute 3% of their gross sales to fund national marketing and advertising campaigns. Marketing fund expenses are accrued and expensed when the related franchise marketing fund revenues are recognized, as the Company is obligated to expend such revenues on advertising, marketing, and promotional programs along with any reasonable salaries, administrative costs, and overhead incurred in activities reasonably related to the administration of the marketing fund. Marketing fund costs expended by the Company are included in Marketing Fund Expenses in the Company's Income Statements.

Marketing fund expenses were \$4,453 for the year ended December 31, 2023. There were no marketing fund expenses for the year ended January 1, 2023.

As of December 31, 2023, marketing fund cash was \$410. As of December 31, 2023, receivables included \$196 of marketing fund income. As of December 31, 2023, marketing fund liabilities included \$606. As of January 1, 2023, there were no marketing fund assets or liabilities.

INCOME TAXES:

The Company is taxed as a partnership and does not pay income taxes on its taxable income. Instead, the members are liable for income taxes on their proportionate share of the Company's taxable income. Certain deductions and credits flow through the Company to its stockholders. The Company files an Illinois partnership income tax return and pays 1.5% on the net taxable income.

ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

The Company adopted the provisions of FASB ASC, 740-10-25, *Accounting for Uncertainty in Income Taxes*. Under FASB ASC 740-10-25, an entity must recognize the tax benefits associated with tax position taken for tax return purposes when it is more likely than not that the position will be sustained. The implementation of FASB ASC 740-10-25 had no impact on the Company's financial statements. Currently, the 2022, 2021, and 2020 tax years are open and subject to examination by the taxing authorities. The Company does not believe there are any material uncertain tax positions and, accordingly, it did not recognize any liability for unrecognized tax benefits.

ESTIMATES:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant areas where estimates and judgments are relied upon by management in the preparation of the financial statements include revenue recognition and the evaluation of the recoverability of goodwill. Actual results from the resolution of such estimates and assumptions may vary from the estimates and assumptions used in the preparation of the financial statements.

See independent auditors' report.

**FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023**

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

FAIR VALUE MEASUREMENTS:

The Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses. The recorded value of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate their fair values based on their short-term nature.

COMMITMENTS AND CONTINGENCIES:

The Company may be party to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the Company's financial position as of December 31, 2023 and January 1, 2023.

RECLASSIFICATIONS:

Certain reclassifications have been made to prior year's financial statements in order to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or equity.

NOTE 2 – FRANCHISE AGREEMENTS:

The Company grants the use of the "Rainbow Cone" trademark and various other items and agrees not to compete or license another franchise within the franchisee's designated market area. Initial services provided by the Company include training of the franchisee and assistance to the franchisee with regard to site selection, financing, accounting, and other related business operations.

After initial operations begin, the Company will provide operational assistance and ongoing monthly consultation services. The Company monitors the franchisee's operations and provides quality control checks.

The Company charges a monthly royalty fee of up to 7%, which is computed as a percentage of the franchisee's monthly gross revenues. The initial term of the franchise agreement is ten years, with options to extend, provided the franchisee is in compliance with the terms of the agreement. Kiosk agreements terms are generally five years.

The Company receives an up-front fee for another entity to secure the franchise rights to operate their own Rainbow Cone stores. The franchise fees are amortized over the term of the franchise agreement. Franchise fee amortization totaled \$21,385 and \$6,375 for the fiscal years ended December 31, 2023 and January 1, 2023, respectively.

The Company may also receive fees for Area Development Agreements which give the Franchisee rights to open future locations within their designated market area within the specified development schedule laid out in the agreement. Area development fees received are considered deferred revenue until 1) the franchisee executes the franchise agreements for the new locations or 2) the execution date in the ADA passes. In the event that new franchise agreements are signed within the terms of the development schedule, ADA fees are amortized over the course of the new franchise agreement. In the event that the deadline passes, ADA fees are recognized as non-refundable revenue.

See independent auditors' report.

**FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023**

NOTE 2 – FRANCHISE AGREEMENTS (CONTINUED):

In the first quarter of 2023, a termination and release agreement was entered into between the Company and one of the Franchisees. Related deferred revenues that would be recognized over the term of the agreement were recognized as nonrefundable fees upon the termination.

NOTE 3 – THE ORIGINAL RAINBOW CONE FRANCHISE OPERATIONS ACQUIRED/SOLD:

	Franchises and Licenses	Corporate Owned	Total
January 2, 2022	-	-	-
Franchises opened during the year	-	-	-
January 1, 2023	-	-	-
Franchises opened during the year	2	-	2
December 31, 2023	2	-	2

At December 31, 2023 and January 1, 2023, the Company is not obligated to acquire any franchises.

NOTE 4 – CONTRACT BALANCES:

Contract assets include accounts receivable. The beginning balance of accounts receivable for the fiscal year ended January 1, 2023 was \$15,979.

Contract liabilities relate to advance consideration received from franchise owners at contract inception for services considered to be part of the contract performance obligations as well as deposits for training fees. These contract liabilities are included in deferred revenue and deposits – training fees on the balance sheets and total \$507,345 and \$202,875 as of December 31, 2023 and January 1, 2023, respectively.

NOTE 5 – DUE TO RELATED PARTY:

Certain members of the Company are also the owners of Rainbow Cone LLC, a company that holds the Rainbow Cone stores and other property used by the company. Rainbow Cone LLC pays some expenses that Five Flavors Franchising LLC incurs, and the companies record those transactions as increases or decreases within due to and due from accounts on their respective books. As funds become available to Five Flavors Franchising LLC, the Company pays down the amounts due to Rainbow Cone LLC. These amounts are due on demand but are non-interest bearing.

NOTE 6 – RELATED PARTY TRANSACTIONS:

We have elected to implement a private company accounting alternative available under GAAP and, as a result, we have not consolidated Rainbow Cone, LLC that is under common control and that would have otherwise been required to be consolidated under GAAP.

See independent auditors' report.

FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023

NOTE 6 – RELATED PARTY TRANSACTIONS (CONTINUED):

During the fiscal year ended December 30, 2018, Rainbow Cone LLC (“RBC”) paid acquisition costs for Five Flavors Franchising LLC in the amount of \$600,000. This amount is recorded as a note payable and bears an interest rate of 3.50%. For the fiscal years ended December 31, 2023 and January 1, 2023, interest expense charged to operations related to this note totaled \$21,000 and \$21,000, respectively. The amount is due on demand but has been classified as noncurrent because repayment is not anticipated during the next fiscal year.

Details regarding RBC, a nonconsolidated legal entity which we share common ownership and control are provided as follows:

Financial effects of our involvement with RBC	Fiscal year ending		Fiscal Years Ended			
	2023	2022	2023	2022	2023	2022
	Balance Sheet		Income Statements		Statements of Cash flows	
Royalty fee revenue from RBC			\$328,976	\$243,539	\$327,160	\$250,244
Trade receivables from RBC	\$ 8,517	\$ 6,701				
Amounts advanced by (repaid to) RBC to us as working capital, net	\$705,767	\$685,290	\$ 21,000	\$ 21,000	\$ 18,661	\$(89,449)

NOTE 7 – NOTES PAYABLE:

Notes payable consist of unsecured notes payable in monthly installments of principal and interest, maturing in August 2023. The interest accrued at 3.50%. Interest expense related to these notes totaled \$1,688 and \$4,955 for the fiscal years ended December 31, 2023 and January 1, 2023, respectively. The notes are personally guaranteed by one of the members.

NOTE 8 – PURCHASE OF GOODWILL:

The Company recorded goodwill in connection with the purchase of another company. Goodwill, which represents the excess of acquisition cost over the fair value of the net tangible and intangible assets of acquired companies, is amortized over 10 years.

NOTE 9 – GOODWILL:

The change in goodwill during the fiscal years is as follows:

	2023	2022
Beginning of Year	\$ 690,333	\$ 804,333
Amortization Expense	(114,000)	(114,000)
End of Year	<u>\$ 576,333</u>	<u>\$ 690,333</u>

Goodwill accumulated amortization totaled \$563,667 and \$449,667 at December 31, 2023 and January 1, 2023, respectively.

See independent auditors’ report.

**FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023**

NOTE 10 – RECENTLY ADOPTED ACCOUNTING GUIDANCE:

On January 2, 2023, the Company adopted ASU No. 2016-13, *Financial Instruments – Credit Losses* which replaces the incurred loss impairment methodology in current GAAP with a methodology that reflected expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform financial statement users of credit loss estimates. The adoption of ASU No. 2016-13 did not have a material impact on the financial statements.

NOTE 11 – SUBSEQUENT EVENTS:

In accordance with the requirements in *FASB ASC Paragraph 855 Subsequent Events*, the Company has evaluated all subsequent events through April 18, 2024 (the date the Company's financial statements were available to be issued), with regards to the financial statements and notes to those financial statements. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

FIVE FLAVORS FRANCHISING LLC
SUPPLEMENTARY INFORMATION
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023

**FIVE FLAVORS FRANCHISING LLC
STATEMENTS OF OPERATING EXPENSES
FOR THE FIFTY-TWO WEEK PERIODS ENDED
DECEMBER 31, 2023 AND JANUARY 1, 2023**

	<u>2023</u>	<u>2022</u>
OPERATING EXPENSES		
Accounting Fees	\$ 4,140	\$ 14,011
Advertising	83,125	-
Amortization Expense	114,000	114,000
Bank Fees	117	114
Brand Compliance Services	3,460	-
Computer/Register Expense	17,341	-
Consulting Fees	13,500	-
FICA	526	-
Franchisee Allowance	6,114	-
Freight & Postage	2,300	-
Insurance - E & O	9,965	2,262
Meeting Expense	1,375	-
Miscellaneous	10	-
Office Expense	1,116	-
Permits	50	1,861
Professional Fees	23,226	29,478
Security Background Check	2,697	-
Software License Fees	17,282	264
State Registration Fees	3,150	500
SUTA	44	-
Training Labor	6,878	-
Travel Expense	10,621	-
Uniform Expense	50	-
	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	<u><u>\$ 321,087</u></u>	<u><u>\$ 162,490</u></u>

See independent auditors' report.

FIVE FLAVORS FRANCHISING LLC

FINANCIAL STATEMENTS

**FOR THE FIFTY-TWO AND FIFTY-THREE WEEK PERIODS ENDED
JANUARY 2, 2022 AND JANUARY 3, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Members
Five Flavors Franchising LLC
Berwyn, Illinois 60402

Opinion

We have audited the accompanying financial statements of Five Flavors Franchising LLC (the Company), which comprise the balance sheets as of January 02, 2022 and January 03, 2021, and the related statements of operations, changes in members' equity (deficit), and cash flows for the fifty-two and fifty-three week periods then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Five Flavors Franchising LLC as of January 02, 2022 and January 03, 2021, and the results of its operations and its cash flows for the fifty-two and fifty-three week periods then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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



R.J. Augustine & Associates, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

April 1, 2022

**FIVE FLAVORS FRANCHISING LLC
BALANCE SHEETS
JANUARY 2, 2022 AND JANUARY 3, 2021**

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash	\$	50,003	\$ 17,684
Accounts Receivable - License Income		16,140	24,477
TOTAL CURRENT ASSETS		<u>66,143</u>	<u>42,161</u>
OTHER NON-CURRENT ASSETS			
Goodwill		1,140,000	1,140,000
Less: Accumulated Amortization		<u>(335,667)</u>	<u>(221,667)</u>
TOTAL OTHER NON-CURRENT ASSETS		<u>804,333</u>	<u>918,333</u>
TOTAL ASSETS	\$	<u>870,476</u>	\$ <u>960,494</u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

**FIVE FLAVORS FRANCHISING LLC
BALANCE SHEETS
JANUARY 2, 2022 AND JANUARY 3, 2021**

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 82,135	\$ 128,536
Current Portion of Deferred Revenue	2,500	2,500
Due to Rainbow Cone LLC	<u>184,178</u>	<u>166,759</u>
TOTAL CURRENT LIABILITIES	<u>268,813</u>	<u>297,795</u>
LONG-TERM LIABILITIES		
Deferred Revenue, less Current Portion	13,750	16,250
Note Payable - Lynn Sapp	4,664	12,072
Note Payable - Gerard Kowalski	92,190	160,181
Note Payable - Rainbow Cone LLC	<u>600,000</u>	<u>600,000</u>
TOTAL LONG-TERM LIABILITIES	<u>710,604</u>	<u>788,503</u>
TOTAL LIABILITIES	<u>979,417</u>	<u>1,086,298</u>
MEMBERS' EQUITY (DEFICIT)		
Members' Equity (Deficit)	<u>(108,941)</u>	<u>(125,804)</u>
TOTAL MEMBERS' EQUITY (DEFICIT)	<u>(108,941)</u>	<u>(125,804)</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	<u>\$ 870,476</u>	<u>\$ 960,494</u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

FIVE FLAVORS FRANCHISING LLC
STATEMENTS OF OPERATIONS
FOR THE FIFTY-TWO AND FIFTY-THREE WEEK PERIODS ENDED
JANUARY 2, 2022 AND JANUARY 3, 2021

	<u>2021</u>	<u>2020</u>
REVENUE		
License Fee Income - License	\$ 273,259	\$ 87,724
License Fee Income - Initial	<u>2,500</u>	<u>2,500</u>
TOTAL REVENUE	<u>275,759</u>	<u>90,224</u>
OPERATING EXPENSES		
Accounting Fees	5,950	8,821
Amortization	114,000	114,000
Bank Fees	23	15
Permits	100	175
Professional Fees	<u>12,084</u>	<u>3,500</u>
TOTAL OPERATING EXPENSES	<u>132,157</u>	<u>126,511</u>
OPERATING INCOME (LOSS)	<u>143,602</u>	<u>(36,287)</u>
OTHER INCOME (EXPENSES)		
Interest Expense	(29,032)	(32,960)
Management Fees	<u>(97,707)</u>	<u>-</u>
TOTAL OTHER INCOME (EXPENSES)	<u>(126,739)</u>	<u>(32,960)</u>
NET INCOME (LOSS)	<u>\$ 16,863</u>	<u>\$ (69,247)</u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

FIVE FLAVORS FRANCHISING LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
FOR THE FIFTY-TWO AND FIFTY-THREE WEEK PERIODS ENDED
JANUARY 2, 2022 AND JANUARY 3, 2021

	<u>3RD GEN LLC</u>	<u>SANJUAN LLC</u>	<u>422 INVEST, LLC</u>	<u>JJA HOLD, LLC</u>	<u>TACITUS LLC</u>	<u>LYNN SAPP</u>	<u>TOTAL</u>
(Unaudited) BEGINNING BALANCE, DECEMBER 30, 2019	\$ (6,786)	\$ (6,786)	\$ (6,786)	\$ (6,786)	\$ (6,786)	\$ (22,627)	\$ (56,557)
Net Loss	<u>(8,310)</u>	<u>(8,310)</u>	<u>(8,310)</u>	<u>(8,310)</u>	<u>(8,310)</u>	<u>(27,697)</u>	<u>(69,247)</u>
(Audited) ENDING BALANCE, JANUARY 3, 2021	(15,096)	(15,096)	(15,096)	(15,096)	(15,096)	(50,324)	(125,804)
Net Income	<u>2,024</u>	<u>2,024</u>	<u>2,024</u>	<u>2,024</u>	<u>2,024</u>	<u>6,743</u>	<u>16,863</u>
(Audited) ENDING BALANCE, JANUARY 2, 2022	<u><u>\$ (13,072)</u></u>	<u><u>\$ (13,072)</u></u>	<u><u>\$ (13,072)</u></u>	<u><u>\$ (13,072)</u></u>	<u><u>\$ (13,072)</u></u>	<u><u>\$ (43,581)</u></u>	<u><u>\$ (108,941)</u></u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

FIVE FLAVORS FRANCHISING LLC
STATEMENTS OF CASH FLOWS
FOR THE FIFTY-TWO AND FIFTY-THREE WEEK PERIODS ENDED
JANUARY 2, 2022 AND JANUARY 3, 2021

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 16,863	\$ (69,247)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Amortization Expense	114,000	114,000
Changes in Assets and Liabilities:		
Accounts Receivable	8,337	(22,948)
Deferred Revenue	(2,500)	(2,500)
Accrued Expenses	-	(1,114)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>136,700</u>	<u>18,191</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Due to Rainbow Cone LLC	<u>17,419</u>	<u>74,282</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>17,419</u>	<u>74,282</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Long-Term Debt	<u>(121,800)</u>	<u>(81,274)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(121,800)</u>	<u>(81,274)</u>
NET INCREASE IN CASH	32,319	11,199
CASH AT BEGINNING OF FISCAL YEAR	<u>17,684</u>	<u>6,485</u>
CASH AT END OF FISCAL YEAR	<u>\$ 50,003</u>	<u>\$ 17,684</u>
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	<u>\$ 29,032</u>	<u>\$ 34,074</u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

**FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO AND FIFTY-THREE WEEK PERIODS ENDED
JANUARY 2, 2022 AND JANUARY 3, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF OPERATIONS:

Five Flavors Franchising LLC (the Company), a limited liability company, is a franchisor of ice cream shops. Major sources of revenue will include franchise sales and royalty payments. The entity was organized on July 23, 2018 and will continue on a perpetual basis.

FISCAL YEAR:

The Company maintains a fiscal year ending on the Sunday nearest to December 31 of each year. The 2021 fiscal year ended on January 2, 2022 and the 2020 fiscal year ended on January 3, 2021. The 2021 fiscal year consisted of 52 weeks while the 2020 fiscal year consisted of 53 weeks.

METHOD OF ACCOUNTING:

The Company maintains its accounting records under the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America.

ESTIMATES:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant items subject to such estimates and assumptions include the recoverability of property and equipment and valuation allowances for accounts receivable and inventory. Actual results from the resolution of such estimates and assumptions may vary from the estimates and assumptions used in the preparation of the financial statements.

CASH AND CASH EQUIVALENTS:

The Company considers all short-term, highly-liquid unrestricted investments with original maturities of three months or less when purchased to be cash equivalents.

ACCOUNTS RECEIVABLE:

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to a valuation allowance for bad debts and a credit to accounts receivable. There was no bad debt expense for the fiscal years ended January 02, 2022 or January 03, 2021.

COMMITMENTS AND CONTINGENCIES:

The Company may be party to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the Company's financial position as of January 02, 2022 and January 03, 2021.

**FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO AND FIFTY-THREE WEEK PERIODS ENDED
JANUARY 2, 2022 AND JANUARY 3, 2021**

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

REVENUE RECOGNITION:

Accounting Standards Codification Topic 606 (Topic 606), Revenue from Contracts with Customers, impacted the timing of recognition of franchise fees (individual, area and master). Under Topic 606, the franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement. As such, the fees are deferred and recognized as revenue over the contractual term of the individual franchise agreements. The effect of the required deferral of fees received in a given year will be mitigated by the recognition of revenue from fees retrospectively deferred from prior years.

License revenue is recognized ratably over the term of the contract, as substantially all terms have been met.

Royalty revenues are considered sales-based royalties that are recognized over time as the franchisee receives the benefits from the services as they are provided.

INCOME TAXES:

The Company is taxed as a partnership and does not pay income taxes on its taxable income. Instead, the members are liable for income taxes on their proportionate share of the Company's taxable income. Certain deductions and credits flow through the Company to its stockholders. The Company files an Illinois partnership income tax return and pays 1.5% on the net taxable income.

ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

The Company adopted the provisions of FASB ASC, 740-10-25, *Accounting for Uncertainty in Income Taxes*. Under FASB ASC 740-10-25, an entity must recognize the tax benefits associated with tax position taken for tax return purposes when it is more likely than not that the position will be sustained. The implementation of FASB ASC 740-10-25 had no impact on the Company's financial statements. Currently, the 2020, 2019, and 2018 tax years are open and subject to examination by the taxing authorities. The Company does not believe there are any material uncertain tax positions and, accordingly, it did not recognize any liability for unrecognized tax benefits.

GOODWILL:

Goodwill represents costs in excess of fair values assigned to the underlying net assets acquired. The Company elected the accounting alternative provided by ASU 2014-2, Intangibles – Goodwill and Other (Topic 350) – Accounting for Goodwill. Under the alternative, private companies can amortize goodwill on a straight line basis over a period of ten years or less if the company demonstrates that another useful life is more appropriate. See Note 9 for changes in Goodwill.

FRANCHISE LICENSE FEE:

The Company receives an up-front fee for another entity to secure the franchise rights to operate their own Rainbow Cone stores. The franchise fees are amortized over the length of the franchise agreement. Franchise fee amortization totaled \$2,500 and \$2,500 for the fiscal years ended January 02, 2022 and January 03, 2021, respectively.

See independent auditors' report.

FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO AND FIFTY-THREE WEEK PERIODS ENDED
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):ADOPTION OF SIGNIFICANT ACCOUNTING POLICIES:

We have elected to implement a private company accounting alternative available under GAAP and, as a result, we have not consolidated Rainbow Cone, LLC that is under common control and that would have otherwise been required to be consolidated under GAAP.

An adoption date adjustment is not necessary since, in prior financial statements, we had elected not to consolidate the affected entities, irrespective of the accounting standards in effect at that time.

NOTE 2 – FRANCHISE AGREEMENTS:

The Company grants the use of the “Rainbow Cone” trademark and various other items and agrees not to compete or license another franchise within the franchisee’s designated market area. Initial services provided by the Company include training of the franchisee and assistance to the franchisee with regard to site selection, financing, accounting, and other related business operations.

After initial operations begin, the Company will provide operational assistance and ongoing monthly consultation services. The Company monitors the franchisee’s operations and provides quality control checks.

The Company charges a monthly 5% royalty fee, which is computed as a percentage of the franchisee’s monthly gross revenues. The initial term of the franchise agreement is ten years, with options to extend, provided the franchisee is in compliance with the terms of the agreement.

NOTE 3 – THE ORIGINAL RAINBOW CONE FRANCHISE OPERATIONS ACQUIRED/SOLD:

	<u>Franchises and Licenses</u>	<u>Corporate Owned</u>	<u>Total</u>
December 29, 2019	-	1	1
Franchises opened during the year	-	-	-
January 3, 2021	-	1	1
Franchises opened during the year	-	-	-
January 2, 2022	-	1	1

At January 02, 2022 and January 03, 2021, the Company is not obligated to acquire any franchises. The above schedule does not include stores under master franchise agreements.

FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO AND FIFTY-THREE WEEK PERIODS ENDED
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 4 – CONTRACT LIABILITIES:

Contract liabilities relate to advance consideration received from franchise owners at contract inception for services considered to be part of the contract performance obligations. Contract liabilities are included in deferred revenue on the balance sheets and total \$16,250 and \$18,750 as of January 02, 2022 and January 03, 2021, respectively.

NOTE 5 – DUE TO RELATED PARTY:

Certain members of the Company are also the owners of Rainbow Cone LLC, a company that holds the Rainbow Cone stores and other property used by the company. Rainbow Cone LLC pays some expenses that Five Flavors Franchising LLC incurs, and the companies record those transactions as increases or decreases within due to and due from accounts on their respective books. As funds become available to Five Flavors Franchising LLC, the Company pays down the amounts due to Rainbow Cone LLC. These amounts are due on demand but are non-interest bearing.

NOTE 6 – RELATED PARTY TRANSACTIONS:

During the fiscal year ended December 30, 2018, Rainbow Cone LLC (“RBC”) paid acquisition costs for Five Flavors Franchising LLC in the amount of \$600,000. This amount is recorded as a note payable and bears an interest rate of 3.50%. For the fiscal years ended January 02, 2022 and January 03, 2021, interest expense charged to operations related to this note totaled \$21,000 and \$21,000, respectively. The amount is due on demand but has been classified as noncurrent because repayment is not anticipated during the next fiscal year.

Details regarding RBC, a nonconsolidated legal entity which we share common ownership and control are provided as follows:

Financial effects of our involvement with RBC	Fiscal year ending		Fiscal Years Ended			
	2021	2020	2021	2020	2021	2020
	Balance Sheet		Statements of Operations		Statements of Cash flows	
License fee revenue from RBC			\$244,267	\$ 86,240	\$244,267	\$ 86,240
Trade receivables from RBC	\$ 16,140	\$ 24,477				
Amounts advanced by RBC to us as working capital	\$784,178	\$766,759	\$ 21,000	\$ 21,000	\$ 25,756	\$ 51,334

NOTE 7 – NOTES PAYABLE:

Notes payable consist of unsecured notes payable in monthly installments of principal and interest, maturing in August 2023. The interest accrues at 3.50%. Interest expense related to these notes totaled \$8,032 and \$11,960 for the fiscal years ended January 02, 2022 and January 03, 2021, respectively. The notes are personally guaranteed by one of the members.

See independent auditors' report.

FIVE FLAVORS FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTY-TWO AND FIFTY-THREE WEEK PERIODS ENDED
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 7 – NOTES PAYABLE (CONTINUED):

Future maturities of long-term debt are as follows as of January 02, 2022:

2022	\$	82,135
2023		96,854
2024		-
2025		-
2026		-
Thereafter		<u>600,000</u>
	<u>\$</u>	<u>778,989</u>

NOTE 8 – PURCHASE OF GOODWILL:

The Company recorded goodwill in connection with the purchase of another company. Goodwill, which represents the excess of acquisition cost over the fair value of the net tangible and intangible assets of acquired companies, is amortized over 10 years.

NOTE 9 – GOODWILL:

The change in goodwill during the fiscal years is as follows:

	<u>2021</u>	<u>2020</u>
Beginning of Year	\$ 918,333	\$ 1,032,333
Amortization Expense	<u>(114,000)</u>	<u>(114,000)</u>
End of Year	<u>\$ 804,333</u>	<u>\$ 918,333</u>

Goodwill accumulated amortization totaled \$335,667 and \$221,667 at January 02, 2022 and January 03, 2021, respectively.

NOTE 10 – SUBSEQUENT EVENTS:

In accordance with the requirements in *FASB ASC Paragraph 855 Subsequent Events*, the Company has evaluated all subsequent events through April 1, 2022 (the date the Company's financial statements were available to be issued), with regards to the financial statements and notes to those financial statements. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

EXHIBIT F
FRANCHISE ACKNOWLEDGEMENT QUESTIONNAIRE

FRANCHISE ACKNOWLEDGEMENT QUESTIONNAIRE

As you know Five Flavor's Franchising, LLC (we" or "us"), and you are preparing to enter into a Franchise Agreement for the operation of a The Original Rainbow Cone Franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer on the next page.

1. Yes__ No__ Have you received the completed Franchise Agreement and each exhibit attached to it?

2. Yes__ No__ Have you received the Franchise Disclosure Document we provided?

3. Yes__ No__ Did you sign a receipt for the Franchise Disclosure Document (or both of them) indicating the date you received it?

4. Yes __ No__ Did the receipt for the Franchise Disclosure Document identify the franchise sellers with which you have had discussions about the franchise opportunity?

5. Yes__ No__ If you are entering into an Area Development Agreement, have you received the completed Area Development Agreement and each exhibit?

6. Yes__ No__ Have you spoken with existing The Original Rainbow Cone franchisees about The Original Rainbow Cone Business?

7. Yes__ No__ Have you conducted an independent investigation of a Buona Business?

8. Yes__ No__ Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Illinois, if not resolved informally or by mediation?

9. Yes__ No__ Do you understand that you must satisfactorily complete the initial training course before we will allow your franchised business to open or consent to a transfer?

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Date

Date

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Questionnaire Number	Explanation of Negative Response

EXHIBIT G
CONFIDENTIAL FRANCHISE OPERATIONS MANUAL TABLE OF CONTENTS

The Original Rainbow Cone Franchise Operations Manual

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**EXHIBIT H
LIST OF FRANCHISEES**

LIST OF CURRENT FRANCHISEES

As of December 31, 2023

Franchisees who have opened the franchised business:

Erica Campbell
Laflin LLC
4414 53rd Ave. E
Bradenton, FL 34203
941-227-4004

Carlo Buonavolanto
BG East, LLC
162 E. Superior
Chicago, IL 60611
708-749-2333
Kiosk

Franchisee who have signed Franchise Agreements with us but have not yet opened:

Kristopher and Amanda Taylor
Taylor Made Cones LLC
5804 S. Nagle Avenue
Chicago, IL 60638
773-401-6928
Franchise Agreement for FL location; also signed an Area Development Agreement

Steve Labus
Creative Flavors
12505 Oakbrook Lane
Ft. Worth, TX 76244
(214)769-2186
Also signed an Area Development Agreement

Trung Nguyen and Meihua Krueger and
14794 Magnolia Ridge Loop
Winter Garden, FL34787
(407)968-8593
Also signed an Area Development Agreement

Anne Hsuing and Robin Hsuing
3072 Blume Drive
Rossmoor, CA 90720
(708)921-9242 (631)786-6902
Also signed an Area Development Agreement

Jay Maswadi, Mohammed Abuzir, Bilal Abuzir
1213 Lake Hanna Drive
Lutz, FL 33549
(727)688-7800
Original Rainbow Cone 2024

Franchisee who have signed a Dual Brand Franchise Agreements with us and our affiliate but have not yet opened:

Michael Schwartz
LaGrande Holdings
1801 Tower Drive, Unit E350
Glenview, IL 60026
(708)828-3030
Franchise Agreement for FL location; also signed an Area Development Agreement

Zeenat Ladiwalla
Mid-Continent Hospitality
405 TX-121, Suite C-140
Lewisville, TX 75067
(469)208-1872
Also signed an Area Development Agreement

Jesse Alvarez and Anthony Vendarmim
9704 Clovercroft Rd. 1097 N. 400 E.,
Nolensville, TN 34211 Chesterton, IN 46304
(708)612-0347 (219)405-5267
Franchise Agreement for TN location; also signed an Area Development Agreement

LIST OF FORMER FRANCHISEES

For the period January 1, 2023 through December 31, 2023

Richard Parilli (Never opened)
Naples, FL 34108
630-217-1565

EXHIBIT I
FOOD TRUCK AMENDMENT TO FRANCHISE AGREEMENT

**FIVE FLAVORS FRANCHISING LLC
FOOD TRUCK AMENDMENT TO FRANCHISE AGREEMENT**

This is an Amendment to the Five Flavors Franchising LLC Franchise Agreement by and between Five Flavors Franchising LLC ("Franchisor") and _____, of _____ ("Franchisee") dated _____, _____ (the "Franchise Agreement"). All capitalized or initially capitalized terms used in this Amendment to Franchise Agreement but not defined herein shall have the same meaning as ascribed to them in the Franchise Agreement. The rights and obligations under this Amendment to Franchise Agreement will be subject to all of the provisions contained in the Franchise Agreement, as modified by this Amendment to Franchise Agreement ("Amendment").

RECITALS:

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement whereby Franchisee was granted certain rights to own and operate a The Original Rainbow Cone Free Standing restaurant or In-Line restaurant and Franchisee has been operating a The Original Rainbow Cone Restaurant under the Franchise Agreement.

WHEREAS, Franchisee desires to operate in conjunction with the operation of The Original Rainbow Cone restaurant a The Original Rainbow Cone Food Truck to offer products for sale and to provide catering services from The Original Rainbow Cone Restaurant;

WHEREAS, Franchisor is willing to permit Franchisee to operate a The Original Rainbow Cone Food Truck ("Food Truck") on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the promises and the mutual agreements, provisions and covenants contained in this Amendment, Franchisor and Franchisee hereby agree as follows:

1. The recitals above are incorporated herein and made part of this Amendment.
2. **Fee.** In consideration of the additional rights granted to Franchisee herein, Franchisee shall pay to Franchisor a Food Truck Operation Fee in the amount of Ten Thousand Dollars (\$10,000.00) payable in one lump sum upon execution of this Amendment by Franchisee. The Food Truck Operation Fee is non-refundable and deemed fully earned upon payment.
3. **Training; Continuing Advisory Assistance.** Franchisor shall provide and Franchisee's Operating Owner must attend and successfully complete a virtual training program on the operation of Food Trucks that lasts approximately 3 days. Franchisee shall be responsible for training its managers and employees as necessary relating to the operation of Food Truck. The Food Truck may only be operated by and staff by properly trained staff strictly in accordance with the training program and the Food Truck Training Manual.

Franchisor will make available to Franchisee such continuing advisory assistance in the operation of the Food Truck, in person or by electronic or written communications made available from time to time as Franchisor deems advisable.

4. **Manual.** During the term of this Amendment, Franchisor shall make available to Franchisee the Food Truck Training Manual. Any provisions in the Franchise Agreement relating to the Manual shall include the Truck Training Manual and all obligations of Franchisee relating to Franchisor's Manuals under the Franchise Agreement shall apply to the Food Truck Training Manual. Franchisee shall comply with all

requirements set forth in this Amendment, the Food Truck Training Manual, and other written policies and procedures relating to the operation of a The Original Rainbow Cone Food Truck and the offer and sale of products from the Food Truck.

5. **Term.** This Amendment shall be effective and binding from the date of execution until the date of expiration of Franchisee's current Franchise Agreement, unless sooner terminated by either party according to the terms of this Amendment or the terms of the Franchise Agreement.

6. **Confidential Information.** All provisions of the Franchise Agreement relating to Franchisor's Confidential Information shall apply to the proprietary and confidential information and trade secrets of Franchisor relating to the operation of a Food Truck that will be disclosed to Franchisee by Franchisor in the training, the Food Truck Training Manual and otherwise.

7. **Area of Operation.** Franchisee shall only operate the Food Truck within the Protected Area described in the Franchise Agreement; except that Franchisee may operate the Food Truck outside the Protected Area with Franchisor's prior written consent, which consent Franchisor may withhold in its sole discretion, and then only in the additional area specified in Franchisor's written consent. Franchisor shall have the right to revoke its consent at any time by giving written notice to Franchisee and Franchisee will then immediately cease operating in the area outside the Protected Area. In the event that Franchisee violates this provision, Franchisor shall have the right to terminate Franchisee's rights under this Amendment, in which case Franchisee shall have no further right to operate a Food Truck. In the event that Franchisee violates this provision by operating the Food Truck in the Protected Area of another franchisee of Franchisee, Franchisee shall have the right to terminate Franchisee's Franchise Agreement acknowledging that such a violation of this Section 7 is a material breach of the Franchise Agreement.

Franchisee acknowledges and agrees that it has done its own independent investigation of the local laws, regulations, ordinances and permitting or licensing requirements for food trucks with the municipalities and other governmental bodies located within the Protected Area and acknowledges that it will be able to meet those requirements and will be able to operate the Food Truck within the Protected Area. Franchisor makes no warranty, representation or guaranty of any kind with respect to the Franchisee's operating area or the success or profitability of the business to be operated in such area.

8. **Required Purchases.**

(a) **Vehicle and Equipment.** Franchisee shall purchase a truck meeting Franchisor's minimum standards and specifications for the Food Truck from a supplier approved by Franchisor. Franchisee shall also purchase all equipment and fixtures specified by Franchisor for Food Trucks from suppliers approved by Franchisor and shall install such equipment and fixtures in the Food Truck and have the Food Truck fully outfitted following Franchisor's designs and specifications. During the term of this Amendment, Franchisor may require Franchisee to purchase additional or updated equipment and fixtures for the Food Truck necessary to meet then current requirements.

(b) **Wraps.** Franchisee shall purchase from a supplier approved by Franchisor, install and display and maintain in good condition a vehicle wrap meeting Franchisor's standards and specifications. Such wrap shall conform to Franchisor's criteria as to type, color, size and design and usage of the Marks. The wrap shall be approved in writing by Franchisor prior to installation. During the term of the franchise, you must replace the wrap if it is damaged or worn.

(c) **POS System.** Franchisee shall purchase and maintain the necessary software and hardware to operate a point-of-sale system for the Food Truck and such system will operate in conjunction with the point of sale system used in the operation of Franchisee's The Original Rainbow Cone Business.

(d) **Insurance.** Franchisee shall purchase and maintain such additional insurance policies as required by Franchisor relating to the operation of the Food Truck.

9. **Legal Compliance.** Prior to opening, Franchisee shall secure all permits and licenses and meet all other requirements for operation of the Food Truck in municipalities and other governmental bodies in the Protected Area. In the event that Franchisee loses any required permits or licenses or any changes in the local laws, ordinances or regulations no longer permit operation of food trucks, Franchisee shall immediately cease operating the Food Truck. Franchisee shall only permit qualified drivers who have an effective driver's license to lawfully operate a truck of the size and type of the Food Truck to drive the Food Truck.

10. **Franchisor's Consent to Begin Operating.** Franchisee shall not begin operating the Food Truck until: (1) the Food Truck has been purchased and fully outfitted pursuant to Franchisor's standards and specifications; (3) Franchisee's Operating Owner has successfully completed the virtual Food Truck training program and trained staff as necessary; (4) Franchisee has obtained all required certifications, permits and license for operating the Food Truck; (5) Franchisee has furnished Franchisor with copies of all required insurance policies; and (6) Franchisee requests and obtains Franchisor's written consent to open for business. Franchisor reserves the right to inspect the Food Truck for compliance before operations begin or any time during the term of this Amendment.

11. **Menu.** The parties acknowledge and agree that the Food Truck franchise shall offer a more limited menu than The Original Rainbow Cone Restaurant and that Franchisee shall only be permitted to offer and sell from the Food Truck the menu items approved by Franchisor for Food truck from time to time. Franchisee acknowledges and agrees that the currently permitted Food Truck menu items are ice cream cones, cups, quarts and pints and merchandise

12. **Sanitation and Maintenance.** In addition to complying with Franchisor's standards and specifications on health, cleanliness and sanitation and maintenance of the Franchisee's premises and equipment, Franchisee shall at all times comply with local laws, regulations, ordinances and permitting or licensing requirements that apply to the cleanliness and sanitation of food trucks. Franchisee shall wash the outside of the vehicle no less than one (1) time per week during periods of operation. Franchisee at all times shall keep the Food Truck in good repair, and shall refinish or repaint the exterior or interior of the Food Truck at such times as Franchisor shall direct. Upon request by Franchisor, Franchisee shall submit photographs of the exterior and interior of the Food Truck to Franchisor. If the Food Truck is damaged in an accident or in any other manner, Franchisee must repair the damage before Franchisee can begin using the Food Truck again unless Franchisee receives a temporary waiver of this repair requirements from Franchisor in writing.

13. **Royalty Fee and Marketing Fund Contribution.** All Gross Sales made by and from the Food Truck shall be part of the Gross Sales of Franchisee's The Original Rainbow Cone Business for purposes of determining (i) the amount of Royalty that Franchisee is required to pay to Franchisor pursuant to the Franchise Agreement; (ii) the amount of the Franchisee's contribution to the Marketing Fund required under the Franchise Agreement, (iii) the amount that Franchisee must spend on local advertising under the Franchise Agreement, and (iv) the total amount of Gross Sales for any other purposes under the Franchise Agreement.

14. **Additional Reporting.** At the request of Franchisor, Franchisee agrees to separately record

and report all sales of products and related costs from and by the Food Truck and/or to shall submit to Franchisor such additional reports, forms or data as Franchisor requires concerning the operation of and sales made by the Food Truck, in the manner and at the time specified by Franchisor.

15. **Termination by Franchisor.** This Amendment to Franchise Agreement and the right to operate a The Original Rainbow Cone Food Truck may be terminated by Franchisor upon delivery of written notice of termination to Franchisee:

a. if Franchisee fails or refuses to comply with any provision of this Amendment to Franchise Agreement, or any mandatory specification, standard, or operating procedure prescribed in the Food Truck Manual relating to the operation of the Food Truck and the offer and sale of products from the Food Truck, and does not correct such failure within thirty (30) days after written notice of such failure is delivered to Franchisee by Franchisor.

b. if Franchisee fails to comply with any provision of the Franchise Agreement and does not correct such failure within the time frame provided for a cure for such default in the Franchise Agreement after written notice of such failure to comply is delivered to Franchisee by Franchisor.

Except as provided in Section 7 herein regarding Franchisor's right to terminate the Franchise Agreement, the termination of this Amendment to Franchise Agreement pursuant to this Section 15 and the rights granted hereunder does not terminate or affect the validity of the Franchise Agreement between Franchisor and Franchisee, and the Franchise Agreement will remain in effect. Any termination of the Franchise Agreement between Franchisor and Franchisee shall be in accordance with the applicable terms of the Franchise Agreement. Termination of the Franchise Agreement shall terminate all rights to Franchisee granted under this Amendment to Franchise Agreement.

16. **Upon Termination or Expiration.** Upon termination or expiration of this Amendment and/or termination or expiration of the Franchise Agreement, all rights granted to Franchisee under this Agreement will immediately terminate, Franchisee shall cease to be a licensed franchisee of Franchisor, and (i) Franchisee shall cease operating the Food Truck, and (ii) Franchisee shall remove the truck wrap and take any and all other steps necessary to remove any of the Marks and de-identify the Food Truck. Franchisor's right to purchase under Section 17.2 of the Franchise Agreement shall also apply to the Food Truck.

17. **Acknowledgements.** Franchisee acknowledges and understands that this Amendment amends and supplements the Franchise Agreement and the terms and conditions of this Amendment are incorporated into the Franchise Agreement as though set forth therein.

Signatures appear on the next page.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed, sealed, and delivered this Amendment on the date below each signature.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability Franchisor

FRANCHISEE:
[ENTITY NAME]
A _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Dated: _____

Dated: _____

EXHIBIT J
STATE ADDENDA

Some administrators of franchise registration states may require us to enter into an addendum to the Disclosure Document and Franchise Agreement describing certain state laws or regulations which may supersede the Disclosure Document or Franchise Agreement. If you are in a registration state which requires an addendum, it will follow this page.

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA**

The Five Flavors Franchising LLC Franchise Disclosure Document for use in the State of California is modified in accordance with the following:

1. ALTHOUGH THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA, SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

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

4. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

5. Item 3 of the Franchise Disclosure Document on "Litigation" is amended by the addition of the following:

Neither Franchisor, nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

6. Item 5 on "Initial Franchise Fees" is amended by the addition of the following:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operation. The Commissioner has imposed a fee deferral condition which requires that we defer collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

7. Item 6 of the Franchise Disclosure Document on "Other Fees" is amended by the addition of the following:

The maximum annual interest rate in California is 10%.

8. Item 17 of the Franchise Disclosure Document on "Renewal, Termination, Transfer and Dispute Resolution" is amended by the addition of the following:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.”

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

The Franchise Agreement requires binding arbitration. The arbitration will occur in Illinois with the costs being borne by the losing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.05, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of the State of Illinois. This provision may not be enforceable under California law.

The Franchise Agreement states that franchisee must sign a general release if franchisee transfers its franchise or renews or signs a successor Franchise Agreement. California Corporations Code § 31512 voids a waiver of franchisee’s rights under the Franchise Investment Law (California Corporations Code §§ 31000 – 31516). Business and Professional Code § 20010 voids a waiver of franchisee’s rights under the Franchise Relations Act (Business and Professionals Code §§ 20000 – 20043).

9. Item 19 of the Franchise Disclosure Document on "Financial Performance Representations" is amended by the addition of the following:

The financial performance representation figures do not reflect all of the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees listed in the Disclosure Document may be one source of this information.

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

This addendum to the Franchise Agreement is agreed to this between Five Flavors Franchising LLC. (Franchisor) and _____ (Franchisee) to amend said Agreement as follows:

1. Section 2.2 of the Franchise Agreement on Renewal Options and Conditions and Section XVI of the Franchise Agreement on Default and Termination are amended by the addition of the following language to the original language that appears therein:

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

2. Section 14.3. of the Franchise Agreement on Post-Termination Covenants is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law."

3. Section 16.1 of the Franchise Agreement on Termination is amended by the addition of the following language to the original language that appears therein:

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

4. Section 24.5 of the Franchise Agreement on Governing Law/Consent to Venue and Jurisdiction is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement requires application of the laws of the State of Illinois. This provision may not be enforceable under California law."

5. Section 24.5 of the Franchise Agreement on Governing Law/Consent to Venue and Jurisdiction is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement requires that litigation occur in the State of Illinois with the costs being borne by the losing party. This provision may not be enforceable under California law."

6. The first sentence of Section 3.1 of the Franchise Agreement on Initial Franchise Fee is amended to read as follows:

In consideration of the franchise granted to Franchisee herein, Franchisee shall pay to Franchisor an Initial Franchise Fee in the amount of Thirty-five Thousand Dollars (\$35,000.00). The Initial Franchise Fee shall be paid once Franchisor has completed all of its pre-opening obligations and Franchisee is open for business.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability company

By: _____

Title: _____

Date: _____

FRANCHISEE:

Franchisee

Date: _____

Franchisee

Date: _____

OR if Franchisee is an entity:

A _____

By: _____

Its: _____

Date: _____

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF CALIFORNIA**

This addendum to the Area Development Agreement is agreed to this between Five Flavors Franchising LLC. (Franchisor) and _____ (Developer) to amend said Agreement as follows:

1. Section 2.1 and 2.2 are amended by the addition of the following:

The payment of the development and initial franchise fees attributable to a specific unit in Developer's development schedule is deferred until that unit is open for business.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability Franchisor

DEVELOPER:
[ENTITY NAME]
A _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Dated: _____

Dated: _____

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS**

The Five Flavors Franchising, Inc. Franchise Disclosure Document for use in the State of Illinois is modified in accordance with the following:

Illinois law shall apply to and govern the Franchise Agreement.

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 of Illinois.

Franchisee's rights upon Termination and Non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision 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.

The Illinois Attorney General requires us to escrow payment of the Initial Franchise Fee and other initial payments owed by franchisees to franchisor until the franchisor has completed its pre-opening obligations under the Franchise Agreement. The Illinois Attorney General has imposed this requirement due to Franchisor's financial condition and the Escrow Agreement is on file at the Office of the Illinois Attorney General.

By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

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.

**ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

This Addendum is to the Franchise Agreement between Five Flavors Franchising, Inc. (Franchisor) and _____ (Franchisee) executed contemporaneously with this Addendum:

1. Illinois law shall apply to and govern the Franchise Agreement.
2. 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 of Illinois.
3. Franchisee's rights upon Termination and Non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision 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.
5. The Illinois Attorney General requires Franchisor to escrow payment of the Initial Franchise Fee and other initial payments owed by Franchisee to Franchisor until the Franchisor has completed its pre-opening obligations under the Franchise Agreement. The Illinois Attorney General has imposed this requirement due to Franchisor's financial condition and the Escrow Agreement is on file at the Office of the Illinois Attorney General.
6. 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.

IN WITNESS WHEREOF the parties hereto have executed, sealed and delivered this Addendum on the date below each signature.

FRANCHISOR:
Five Flavors Franchising LLC
An Illinois limited liability company

FRANCHISEE:

By: _____
Name: _____
Title: _____

Date: _____

By: _____
Name: _____
Title: _____

Date: _____

**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS**

This Addendum is to the Area Development Agreement between Five Flavors Franchising, Inc. (Franchisor) and _____ (Developer) executed contemporaneously with this Addendum:

1. Illinois law shall apply to and govern the Area Development Agreement.
2. 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 of Illinois.
3. Franchisee's rights upon Termination and Non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision 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.
5. The Illinois Attorney General requires Franchisor to escrow payment of the Initial Franchise Fee and other initial payments owed by Franchisee to Franchisor until the Franchisor has completed its pre-opening obligations under the Franchise Agreement. The Illinois Attorney General has imposed this requirement due to Franchisor's financial condition and the Escrow Agreement is on file at the Office of the Illinois Attorney General.
6. 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.
7. Section 13.4 of the Area Development Agreement is revised in its entirety to read as follows:

13.4 Entire Agreement; Modification. This Agreement and all exhibits to this Agreement constitute the entire understanding and agreement between the parties and there are no other oral or written understandings or agreements between the parties, and no oral or written representations by the Franchisor relating to the subject matter of this Agreement, except for those contained in the Franchise Disclosure Document provided to Developer (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Documents, its exhibits and any amendments. Except for modifications permitted to be made unilaterally by us, this Agreement may be modified only by written agreement signed by both you and us.

IN WITNESS WHEREOF the parties hereto have executed, sealed and delivered this Addendum on the date below each signature.

FRANCHISOR:

Five Flavors Franchising LLC
An Illinois limited liability company

DEVELOPER:

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA**

This addendum to the Franchise Agreement is agreed to Five Flavors Franchising LLC (Franchisor) and _____ (Franchisee) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Franchise Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability company

By: _____
Title: _____
Date: _____

FRANCHISEE:

Franchisee
Date: _____

Franchisee
Date: _____

OR if Franchisee is an entity:

A _____
By: _____
Its: _____
Date: _____

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND**

The Five Flavors Franchising LLC Franchise Disclosure Document (“FDD”) for use in the State of Maryland is modified in accordance with the following:

Item 17 of the Franchise Disclosure Document on "Renewal, Termination, Transfer and Dispute Resolution" is amended by the addition of the following:

The general release required as a condition of renewal and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

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

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

This Addendum is to a Franchise Agreement between Five Flavors Franchising LLC and _____ (Franchisee) to amend said Agreement as follows:

1. Section 2.2 of the Franchise Agreement on Renewal and Section 15.3 of the Franchise Agreement on Conditions to Transfer by Franchisee are each amended by the addition of the following language to the original language that appears therein:

"Any provision allowing Franchisee to execute a general release of any and all claims against Franchisor shall not apply to any liability under Maryland Franchise Registration and Disclosure Law."

2. Paragraph 11.1 of the Franchise Agreement on Marketing is amended by the addition of the following language to the original language that appears therein:

"Franchisor will provide Franchisee with an annual accounting of the advertising fees collected."

3. Section 16.1 of the Franchise Agreement on Default and Termination is amended by the addition of the following language to the original language that appears therein:

"Termination upon bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)."

4. Paragraph 24.5 of the Franchise Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

5. Paragraph 24.8 of the Franchise Agreement on Limitation of Claims shall be amended by the addition of the following language to the original language that appears therein:

"; provided, however, that the limitation of such claims shall not act to reduce the three (3) year statute of limitations afforded Franchisee for bringing a claim under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

6. Section 25.11 of the Franchise Agreement on Acknowledgements by Franchisee shall be amended by the addition of the following language to the original language that appears therein:

"The representations of this section are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability company

By: _____
Title: _____

Date: _____

FRANCHISEE:

Franchisee

Date: _____

Franchisee

Date: _____

OR if Franchisee is an entity:

A _____

By: _____

Its: _____

Date: _____

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND**

This Addendum is to the Area Development Agreement between Five Flavors Franchising LLC and (Developer) to amend said Agreement as follows:

1. Paragraph 12.6 of the Area Development Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"Developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

2. Paragraph 12.9. of the Area Development Agreement on Limitation of Claims shall be amended by the addition of the following language to the original language that appears therein:

"; provided, however, that the limitation of such claims shall not act to reduce the three (3) year statute of limitations afforded Developer for bringing a claim under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

3. Paragraph 16. of the Area Development Agreement on Acknowledgements by Developer shall be amended by the addition of the following language to the original language that appears therein:

"The representations of this section are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability company

By: _____
Title: _____

Date: _____

DEVELOPER:

a _____

By: _____
Title: _____

Date: _____

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO THE FRANCHISEE ACKNOWLEDGEMENT QUESTIONNAIRE
FOR THE STATE OF MARYLAND**

This Addendum is to an Acknowledgement and Disclosure Statement between Five Flavors Franchising LLC and _____ (Franchisee) to amend said Statement as follows:

"Nothing contained in this Statement is intended to, nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability company

FRANCHISEE:

By: _____

Title: _____

Date: _____

Franchisee

Date: _____

Franchisee

Date: _____

OR if Franchisee is an entity:

A _____

By: _____

Its: _____

Date: _____

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA**

The Five Flavors Franchising LLC Franchise Disclosure Document for use in the State of Minnesota is modified in accordance with the following:

1. Item 13 of the Franchise Disclosure Document on "Trademarks" is amended by the addition of the following language:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

2. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language:

"With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement."

3. Item 17.c. and 17.m. of the Franchise Disclosure Document are amended by the addition of the following language:

"The execution of a general release upon renewal or transfer shall be inapplicable to claims arising under the Minnesota Franchises law."

4. Item 17.u. and 17.v. of the Franchise Disclosure Document are amended by the addition of the following language:

"Minnesota Statutes, Section 80C.21 and Minn. Rule Part 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination, penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or franchisee's rights to any procedure, forum or remedies provided for by the

laws of the jurisdiction."

5. Item 6 of the Franchise Disclosure Document is amended by the following:

In no event will the then-current non-sufficient funds fee charged by Franchisor exceed the maximum fee allowed by Minnesota Statute Section 604.113, which is currently \$30.

6. This Addendum does not act as a release or waiver by the franchisee of an otherwise applicable provision of the Minnesota Franchise Act that is omitted, misstated, or whose legal effect is misconstrued herein.

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

This addendum to the Franchise Agreement is agreed to between Five Flavors Franchising LLC (Franchisor) and _____ (Franchisee) to amend said Agreement as follows:

1. Section 2.2 of the Franchise Agreement on Renewal and Section 16 of the Franchise Agreement on Termination is amended by the addition of the following language to the original language that appears therein:

"Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. These provisions of Minnesota law are hereby incorporated by reference in this Agreement."

2. Section 2.2 of the Franchise Agreement on Renewal and Section 15.3 of the Franchise Agreement on Conditions to Transfer by Franchisee are each amended by the addition of the following language to the original language that appears therein:

"The execution of a general release upon renewal or transfer shall be inapplicable to claims arising under the Minnesota Franchises law."

3. Section 5 of the Franchise Agreement on Use of the Marks Properly is amended by the addition of the following language to the original language that appears therein:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

4. Section 14.3 of the Franchise Agreement on Post-Termination Covenant Not to Compete is amended by the addition of the following language to the original language that appears therein:

"These provisions may not be enforceable under Minnesota law."

5. Sections 10(d) and 10(e) of the Franchise Agreement on Governing Law/Consent to Jurisdiction.

Section 24.9 of the Franchise Agreement on Waiver of Punitive Damages and Jury Trial are each amended by the addition of the following language to the original language that appears therein:

"Minnesota Statutes, Section 80C.21 and Minn. Rule Part 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination, penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction."

6. Section 24.8 of the Franchise Agreement on Limitation of Claims is amended by the addition of the following language to the original language that appears therein:

"Notwithstanding the foregoing, any claim brought under the Minnesota Franchises Law shall not be barred unless an arbitration or legal proceeding is commenced within three (3) years after the cause of action accrues."

7. Section 14.8 of the Franchise Agreement on Specific Performance; Injunctive Relief is amended in part to provide that the court will determine if a bond will be posted.

8. Section 3.6 of the Franchise Agreement is amended in part by the addition of the following:

"In no event will the then-current non-sufficient funds fee charged by Franchisor exceed the maximum fee allowed by Minnesota Statute Section 604.113."

9. Section 16.9 on Monetary Fees for Non-Compliance and Section 24.11 on Liquidated Damages are each amended by the addition of the following language:

"These provisions are not enforceable under Minnesota law."

10. This Addendum does not act as a release or waiver by the franchisee of an otherwise applicable provision of the Minnesota Franchise Act that is omitted, misstated, or whose legal effect is misconstrued herein.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability company

FRANCHISEE:

By: _____
Title: _____

Franchisee

Date: _____

Date: _____

Franchisee

Date: _____

OR if Franchisee is an entity:

A _____

By: _____

Its: _____

Date: _____

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

This Addendum is to a Franchise Agreement between Five Flavors Franchising LLC and _____ (“Franchisee”) amend said Agreement as follows:

1. Paragraph 2.2 of the Franchise Agreement on Renewal and Paragraph 15.3. of the Franchise Agreement on Conditions to Transfer shall be amended by the addition of the following language to the original language that appears therein:

"All rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied."

2. Paragraph 15.1 of the Franchise Agreement on Transfer by Franchisor shall be amended by the addition of the following language to the original language that appears herein:

"However, Franchisor shall not assign its rights and obligations to a transferee unless in its reasonable judgment, the transferee is able to fulfill the Franchisor's obligations under its Franchise Agreements."

3. Paragraph 24.5 of the Franchise Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"The foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability company

By: _____
Title: _____

Date: _____

FRANCHISEE:

Franchisee

Date: _____

Franchisee

Date: _____

OR if Franchisee is an entity:

A _____

By: _____

Its: _____

Date: _____

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF NEW YORK**

This Addendum is to an Area Development Agreement between Five Flavors Franchising LLC and _____ (Developer) to amend said Agreement as follows:

1. Paragraph 12.6 of the Area Development Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"The foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability Franchisor

DEVELOPER:
[ENTITY NAME]
A _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Dated: _____

Dated: _____

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE COMMONWEALTH OF VIRGINIA**

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statement is added to Item 5:

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.

The following statements are added to Item 17(h):

Under 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 do 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.

Under 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 the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

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.

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO FRANCHISE AGREEMENT
FOR USE IN STATE OF VIRGINIA**

THIS ADDENDUM to the Franchise Agreement is agreed to between FIVE FLAVORS FRANCHISING LLC and _____ (Franchisee) to amend said Franchise Agreement to include the following language:

1. Section 3.1 on Initial Franchise Fee and Section 8.3 on On-Site Training are amended by the addition of the following:

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.

2. 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.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability company

By: _____
Title: _____
Date: _____

FRANCHISEE:

Franchisee
Date: _____

Franchisee
Date: _____

OR if Franchisee is an entity:

A _____
By: _____
Its: _____
Date: _____

**FIVE FLAVORS FRANCHISING LLC
ADDENDUM TO FRANCHISE AGREEMENT
FOR USE IN STATE OF WISCONSIN**

THIS ADDENDUM to the Franchise Agreement is agreed to between FIVE FLAVORS FRANCHISING LLC and _____ (Franchisee) to amend said Franchise Agreement to include the following language:

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

FRANCHISOR:
FIVE FLAVORS FRANCHISING LLC
An Illinois limited liability company

By: _____
Title: _____
Date: _____

FRANCHISEE:

_____ Franchisee

Date: _____

_____ Franchisee

Date: _____

OR if Franchisee is an entity:

A _____

By: _____

Its: _____

Date: _____

EXHIBIT K
State Effective Dates

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

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

State	Effective Date
California	Pending
Hawaii	Not registered
Illinois	April 22, 2024
Indiana	December 4, 2024 as amended April 23, 2024
Maryland	May 21, 2024
Michigan	July 18, 2024
Minnesota	May 24, 2024
New York	Pending
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	May 28, 2024
Washington	Not registered
Wisconsin	April 22, 2024

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 L
RECEIPT
(Our Copy)**

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

If Five Flavors Franchising LLC offers you a franchise, it must provide this Franchise 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 or grant.

Under Iowa or Rhode Island law, if applicable, we must provide this Franchise Disclosure Document to you at your first personal meeting to discuss the franchise. Michigan requires us to give you this Franchise Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. 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 Five Flavors Franchising LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

Five Flavors Franchising LLC authorizes the parties identified on Exhibit A to receive service of process for Five Flavors Franchising LLC in the particular state.

The name, principal business address and telephone number of each franchise seller offering the franchise is Joseph Buonavolanto, Jr., Joseph Buonavolanto III, and John Buonavolanto at 6801 Roosevelt, Berwyn, IL 60402, (708)948-0557; and check the box(es) and/or identify any additional franchise seller who offered you a franchise in the space provided below.

<input type="checkbox"/> Carlo Buonavolanto 6801 Roosevelt Berwyn, IL 60402 (708) 948-0557	<input type="checkbox"/> Don Buonavolanto 6801 Roosevelt Berwyn, IL 60402 (708) 948-0557
<input type="checkbox"/> Mike Buonavolanto 6801 Roosevelt Berwyn, IL 60402 (708) 948-0557	<input type="checkbox"/> Name of Franchise Seller: _____ Principal Business Address: _____ _____ Telephone Number: _____

Issuance Date: April 22, 2024 as amended July 22, 2024

I received a Franchise Disclosure Document dated April 22, 2024 as amended July 22, 2024 that included the following Exhibits:

- A. List of State Agencies/Agents for Service of Process
- B. Franchise Agreement
- C. Addendum to Franchise Agreement for Kiosk Franchise
- D. Area Development Agreement
- E. Financial Statements
- F. Franchisee Acknowledgement Questionnaire
- G. Confidential Franchise Operations Manual Table of Contents
- H. List of Franchisees
- I. Food Truck Amendment to Franchise Agreement
- J. State Addenda
- K. State Registration Dates
- L. Receipts

Original Rainbow Cone 2024

Date	Signature	Printed Name
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Date	Signature	Printed Name
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Please retain this copy of the receipt for your records.

RECEIPT
(Franchisee Copy)

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

If Five Flavors Franchising LLC offers you a franchise, it must provide this Franchise 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 or grant.

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Five Flavors Franchising LLC authorizes the parties identified on Exhibit A to receive service of process for Five Flavors Franchising LLC in the particular state.

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Date	Signature	Printed Name
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Date	Signature	Printed Name
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Important: Please sign and then return this page by mail to Joe Buonavolanto III, at 6801 Roosevelt Road, Berwyn, IL 60402, (708) 948-0557.