



**CRISPY  
CONES**

®

## FRANCHISE DISCLOSURE DOCUMENT

### **Crispy Cones Franchising, LLC**

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Crispy Cones® began in Rexburg, Idaho with the goal of reinventing the soft serve cone by incorporating unique flavors and European-style recipes. As a franchisee, you will operate a Crispy Cones branded dessert and sweet treat store offering gourmet European-style ice cream and fruit cones in addition to other food and drink items.

The total investment necessary to begin operation of a Crispy Cones store ranges from \$284,750 to \$543,000. This includes \$49,500 to \$59,000 that must be paid to the franchisor or an affiliate.

The franchisor may also, in its sole discretion, grant the right to develop multiple Crispy Cones stores under an area development agreement. If you are granted the right to develop multiple stores, the total investment necessary to obtain such rights depends on how many stores you agree to develop. You must pay a development fee to the franchisor according to the following schedule: \$35,000 for your first store and \$30,000 for each subsequent store. We offer a discount of \$5,000 to qualified U.S. military veterans on the initial fee for each store. You must pay the entire development fee upon execution of the area development agreement and no additional initial franchise fee will be due for the stores developed pursuant to the area development agreement. The typical number of Crispy Cones stores that we anticipate franchisees will purchase pursuant to an area development agreement is between two and three. The total investment necessary for rights to begin development of this number of Crispy Cones stores ranges from \$65,000 to \$95,000 (or \$55,000 to \$80,000 with the military discount) that must be paid to the franchisor.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jeremy Carlson at 3878 Jake Way, Suite 101, Rexburg, ID 83440, (208) 479-7238.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

Issuance Date: April 3, 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:**

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Idaho. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Idaho than in your own state.
2. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than the prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
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 in a system with a longer operating history.

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

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## **ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Disclosure Document (the “Disclosure Document”), “we,” “us,” “Crispy Cones,” “Franchisor,” or like terms means Crispy Cones Franchising, LLC, the franchisor, and “you” or “Franchisee” means the person or entity that buys the franchise. If an entity is the Franchisee, “you” includes Franchisee’s owners.

### **The Franchisor, Parents, Affiliates and Predecessors**

We are an Idaho limited liability company, formed on December 10, 2021, and we conduct business under the name Crispy Cones. We maintain a principal office address at 3878 Jake Way, Suite 101, Rexburg, ID 83440. Our telephone number is (208) 479-7238. We began selling franchises in 2022. We do not do business under any other name, have no other business activities, and do not operate any Crispy Cones stores, though our affiliate, Crispy Cones, LLC does operate Crispy Cones stores.

Our parent is Crispy Cones Holdings, LLC (“Crispy Cones Holdings”). Its principal business address is 3878 Jake Way, Suite 101, Rexburg, ID 83440. Crispy Cones Holdings owns the Marks, System (both as defined below), and other intellectual property required to operate a Crispy Cones branded store (collectively, the “CC Intellectual Property”). Crispy Cones Holdings licenses to us the right to use the CC Intellectual Property pursuant to a license agreement of perpetual duration dated June 23, 2022. Our affiliate Crispy Cones, LLC (“Crispy Cones Corporate”), an Idaho limited liability company, has its principal business address at 3878 Jake Way, Suite 101, Rexburg, ID 83440. Crispy Cones Corporate provides products or services to our franchisees, including proprietary ingredients, branded paper products, and branded merchandise that must be used in the operation of the franchise. Crispy Cones Corporate has also operated Crispy Cones locations since 2019 and currently operates the Crispy Cones locations in Rexburg, Idaho and Logan, Utah.

Other than as set forth above, no other individuals or entities provide products or services to our franchisees or offers franchises in the same or any other line of business and we have no predecessors.

### **Agent for Service of Process**

Our agent for service of process in Idaho, the state of our organization, is Jeremy Carlson at 3878 Jake Way, Suite 101, Rexburg, ID 83440. Certain state regulatory agencies require that we designate a state agency as agent for service of process, and these agencies are listed on Exhibit A.

### **Description of the Franchise Offered**

The Crispy Cones concept began in a tent in Rexburg, Idaho with the purpose of reinventing the soft serve cone by incorporating unique flavors and European-style recipes. Our franchisees are independent owners and operators of a franchise business operating a Crispy Cones branded, dessert and sweet treat store (a “Store”). Crispy Cones are a fresh dough cone, grilled rotisserie-style and covered with cinnamon and sugar or specialty coverings and filled with spread, gourmet soft-serve ice cream, fruit, and a variety of toppings. Each Store operates from a single approved location offering unique Crispy Cones European-style gourmet soft serve ice cream and fruit cones and related food and beverage items (the “Products”). Each Store will operate in a protected area in which we will not grant to others or operate ourselves another Crispy Cones Store. Stores operate under the name Crispy Cones™ and other trademarks, service marks, logos, and other commercial symbols we designate for use by Stores (all referred to as the “Marks”), using our designated trade dress and have distinctive exterior and interior design, decor, and color scheme, furnishings, special recipes and menu items, uniform standards, specifications, policies and procedures for

operation, quality and uniformity of the products and services offered, procedures for inventory, management and financial control, training and assistance, and advertising and promotional programs, all of which we may change, improve, and further develop (together, the “System”). We have the right to license and franchise the System and Marks to franchisees pursuant to a license agreement with our parent, Crispy Cones Holdings.

Each Store will operate a dessert and sweet treat store under the Marks in accordance with the System and the terms of our franchise agreement (“Franchise Agreement”). A copy of the Franchise Agreement is attached to this Disclosure Document as Exhibit B.

We may also grant area developer rights to qualified franchisees to develop multiple Stores within a defined area over a specific time period according to a pre-determined development schedule. These area developers must sign the area development agreement (“Area Development Agreement”) and may open Stores directly or through approved controlled affiliates. Under an Area Development Agreement, you commit to developing a specific number of Stores, according to a specified schedule (“Development Schedule”), in a specified geographic area (“Development Area”). The Development Area will be determined based on local market conditions, demographics, and the number of Stores you agree to develop. The Area Development Agreement does not grant you the right to open a Store or to use the Marks or the System. Rather, it controls your rights and obligations to acquire franchises. You will be required to sign an individual Franchise Agreement that will govern the operation of the Store at its identified premises for each Store that is developed pursuant to the Area Development Agreement. You must execute a Franchise Agreement for your first Store at the same time you execute the Area Development Agreement. For each subsequent Store to be developed you will sign our then-current form of Franchise Agreement, the terms of which may materially differ from the form Franchise Agreement that is attached as Exhibit B to this Disclosure Document, when we accept your proposed site for such Store. The Area Development Agreement is included as Exhibit C to this Disclosure Document.

### **Market and Competition**

The market for the goods and services offered by a Crispy Cones Store is well developed. Stores will compete with a wide variety of locally owned, regional, and national chains, that offer desserts and treats including ice cream, frozen yogurt, frozen desserts, confections, and other food and beverage products similar to those served in Crispy Cones Stores. The ice cream and dessert industry is highly competitive as to price, location, service, and food quality. The ice cream and dessert industry is also affected by changes in consumer tastes and behavior, demographics, and economic conditions. Some of these competitive stores are or may be Crispy Cones stores owned, managed, franchised, or licensed by us or one of our affiliates in the general area of your Store.

### **Laws and Regulations**

The ice cream and dessert industry is heavily regulated. Each Store’s business is subject to federal, state, and local laws and regulation pertaining to general standards, zoning, permitting restrictions and requirements, and other specifications and requirements for the location, construction, design, maintenance, and operation of the Store; employee compensation and health and safety, including minimum wage requirements; employee practices concerning the storage, handling, cooking, and preparation of food; the health, safety, and welfare of your customers, such as general health and sanitation requirements for serving food and laws and regulations such as the Americans with Disabilities Act relating to access by persons with disabilities, restrictions on smoking, and requirements for fire safety and general emergency preparedness; food identification, labeling, and disclosures on menus and other collateral regarding nutritional information for the Products; advertising; and data protection and privacy laws.

You may also be required to obtain food service, business, occupational, food products, and miscellaneous licenses. Some states and local law may also restrict who may secure these licenses. You may also have to obtain health licenses and to comply with health laws and regulations that apply to food service and food product sales establishments.

Requirements under local law vary by location, and you should inquire about, and become familiar with, these laws and regulations. You should consider both their effect and costs of compliance with all relevant laws and regulations.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Jeremy Carlson – CEO and President**

Jeremy Carlson has been our CEO and President in Rexburg, Idaho since our inception in December 2021. As the founder of Crispy Cones, he makes major corporate decisions and is the main point of communication for corporate operations. Jeremy Carlson has also been an owner and CEO of Crispy Cones Holdings in Rexburg, Idaho since its inception in December 2021 and the CEO of Crispy Cones Corporate in Rexburg, Idaho, which operates all corporate owned Crispy Cones branded stores, since its inception in January 2019.

### **Kaitlyn Carlson – Chief Marketing Officer**

Kaitlyn Carlson has been with us in Rexburg, Idaho since our inception in December 2021. She oversees the design, social media, creative content, marketing strategy, merchandise, and the overall culture of Crispy Cones. From May 2019 to present, Kaitlyn has been the marketing manager for Crispy Cones Corporate in Rexburg, Idaho. From April 2019 to April 2021, Kaitlyn was the Media Relations Specialist for Brigham Young University – Idaho, located in Rexburg, Idaho.

### **DJ Sims – Vice President of Finance and Operations**

DJ Sims has been our Vice President of Finance and Operations in Rexburg, Idaho since September 2022. DJ oversees the finances, accounting, and operational procedures for Crispy Cones. From April 2020 to September 2022, DJ worked at Clearwater Analytics in Boise, Idaho as a Reconciliation Analyst. From January 2020 to April 2020, he was a Utility Fund Analyst Intern for the Town of Sugar City, Idaho. From April 2019 to January 2020, DJ was a Financial Aid Director at the Rexburg College of Massage Therapy located in Rexburg, Idaho. From April 2017 to April 2019, DJ worked at Brigham Young University – Idaho in Rexburg, Idaho as a Financial Aid Counselor/Financial Literacy Program Developer.

### **Dallin Ochs – Director of Accounting**

Dallin has been the Director of Accounting for Crispy Cones since February 2024. From July 2023 to February 2024, Dallin was an accounting manager and from April 2023 to July 2023 he worked in our Rexburg location as a team member. Before joining Crispy Cones, Dallin was also a Pool Technician at All Pure Pool Services in Yucaipa, California, and a Machine Technician at KCB Towers in Highland, California from July 2022 to April 2023. Dallin was also Staff Accountant at Wolf CPA in Redlands, California from February 2022 to April 2022.

### **Mackinley Quast – Vice President of Franchise Development**

Mackinley Quast has been with Crispy Cones since September 2023. As Vice President of Franchise Development, he oversees the franchise application process through which potential franchises are

qualified. From January 2018 to September 2023, Mackinley was an independent contractor within the solar and pest control industries and held various manager and sales positions.

### **Vanessa Perez - Director of Franchise Support**

Vanessa Perez has been our Director of Franchise Support since February 2024, where she oversees operations and communication across the franchise network. Since joining Crispy Cones in July 2021, Vanessa has held various roles at Crispy Cones Corporate locations. Before joining Crispy Cones, Vanessa worked as a shift lead at Panera Bread from June 2019 to December 2020 and as a Customer Service Representative at Fat Cats from October 2019 to July 2020.

## **ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

## **ITEM 4. BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

## **ITEM 5. INITIAL FEES**

### **Initial Franchise Fee**

The initial franchise fee is \$35,000 and must be paid in full in one lump sum, by wire transfer or other method designated by us, when you sign the Franchise Agreement. The initial franchise fee is payment, in part, for expenses incurred by us to furnish assistance and services to you, as set forth in the Franchise Agreement, and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting, and other professional fees. We offer a \$5,000 discount for qualified U.S. military veterans. Other than the foregoing discount, the initial franchise fee is uniform, deemed fully earned upon payment and is not refundable.

### **Initial Training Fee**

You must also pay us an initial training fee of \$4,000 when you sign the Franchise Agreement, which will cover the cost of training associated with up to two individuals attending our initial training program as outlined in Item 11. The initial training fee does not cover costs and expenses incurred in attending the initial training program, including but not limited to, travel, lodging, meals, and salary expenses. The initial training fee is deemed fully earned and non-refundable upon payment and is not refundable.

### **Required Initial Equipment, Inventory and Uniform Purchases**

Before you open for business, you must purchase from us or our affiliates certain equipment, minimum inventory of certain items, and uniforms for your employees. We or our affiliates will supply you the dry mix, grills, and Crispy Cones branded paper products and merchandise such as memorabilia, T-shirts, and hats. The cost for minimum inventory purchases ranges from \$3,000 to \$10,000 based on the location size, and market. Your location must have two grills that are purchased from us at a cost of \$12,000 total. The cost of the uniforms will range from \$500 - \$3,000 depending on the number of employees, the location size, and market.

## Development Fee

We may offer you the right, in our sole discretion, to develop multiple Stores pursuant to an Area Development Agreement upon payment of a development fee. The development fee you must pay is determined by the number of Stores you agree to develop according to the following schedule: \$35,000 for the first Store and \$30,000 for each additional Store thereafter. The development fee is equal to the initial franchise fee for the total number of Stores you agree to develop. You will not be required to pay any additional initial franchise fee when you execute the Franchise Agreement for the Stores developed pursuant to the Area Development Agreement. The development fee is fully earned upon payment and is not refundable.

### ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
<b>Royalty</b>	5% of Gross Sales	Weekly by electronic funds transfer, on or before Tuesday of each week for the previous week	See Note 1 below for a definition of Gross Sales
<b>Technology Fee</b>	Up to 1% of Gross Sales	Weekly by electronic funds transfer, on or before Tuesday of each week for the previous week	See Note 2
<b>Advertising Fund</b>	2% of Gross Sales	Weekly by electronic funds transfer, on or before Tuesday of each week for the previous week	See Note 3
<b>Renewal Fee</b>	\$3,500	Payable in lump sum at the time you execute your renewal franchise agreement	See Note 4
<b>Non-Compliance Fee</b>	The fee is dependent on the violation pursuant to the following schedule:  1. \$1,000 per violation of unauthorized use of (i) Marks, Brand Materials Intellectual Property, or Confidential Information; (ii) suppliers or products;(iii) packaging  2. \$250 per violation for (i) use of products that do not comply with Crispy Cones quality standards;(ii) failure to meet deadlines for purchasing and installing	Within five days after notification from us that the fee is being charged	

Type of Fee	Amount	Due Date	Remarks
	<p>new equipment, products, or processes; and(iii) each hygiene or dress code violation or for violations arising from uncleanliness of the Store</p> <p>3. \$100 per day per deviation from any other contractual requirement</p>		
<b>Late Payment Fee</b>	10% of the past due amount plus \$50 per week for each week thereafter the amount remains unpaid	Upon receipt of notification from us that the fee is being charged	
<b>Insufficient Funds Fee</b>	Actual cost incurred by us due to insufficient funds in your designated bank account when any payment is made	Upon receipt of notification from us that the fee is being charged	There is currently no minimum amount required in your account, but you must reimburse us for our costs if there are insufficient funds in your account with respect to a payment made to us.
<b>Interest</b>	10% annually or the greatest amount allowed under applicable law, whichever is less	Upon receipt of notification from us that the fee is being charged	All past due amounts will be subject to interest, accruing from the due date at the rate of 1.5% per month or the greatest amount allowed under applicable law, whichever is less
<b>Reimbursement of Taxes</b>	An amount necessary to cover any taxes and related costs and expenses imposed upon or paid by us to ensure that the payment is equal to the amount we would have otherwise received	Upon receipt of notification from us	This fee applies if any tax or fee (other than federal or state income tax) is imposed on us due to our receipt of fees from you under the Franchise Agreement
<b>Additional Initial Training</b>	Initial training for two people at the Rexburg, Idaho, or other operating location is included in the initial training fee. Additional individuals that attend the initial training program must pay our then-current fee for initial training; currently \$250 per day per individual for the 12-day training program.	Prior to commencement of training	See Note 5

Type of Fee	Amount	Due Date	Remarks
<b>Additional Training</b>	Additional individuals or individuals not trained at the same time must pay a fee of our then-current fee for the type of training provided, currently the fee is \$250 per day.	Upon receipt of invoice from us	We may require additional training and will charge a reasonable fee for providing such training. You may request from us additional training or assistance that will be provided by us at a time and place designated by us for our then-current fee for the type of training provided. You are responsible for the compensation, travel, lodging and living expenses incurred by your attendees in connection with attendance at the initial training program
<b>Testing and Approval of Suppliers</b>	\$1,000 per supplier	Upon receipt of invoice from us	If you request permission to purchase or sell items from any unapproved supplier, you must pay us the reasonable costs and expenses for review of a supplier and/or testing of products
<b>Audit</b>	Cost of financial audit	Upon receipt of the audit report	You must pay the costs of the audit or inspection if the audit shows that the royalties paid to us have been underpaid by more than 2%. You must also immediately pay any deficiency in fees paid along with interest on such amount at a rate of 1.5% per month or the maximum amount allowed under applicable law, whichever is less
<b>Relocation Fee</b>	Reasonable costs and expenses of us related to the relocation	Upon receipt of invoice from us	If you are allowed to relocate, you must reimburse us for our costs incurred during the relocation process, including those required to help you construct and develop the Store at the new site in full compliance with our System. All relocations must be complete and the Store must be open at the new location within 90 days of our approval of such request or we may terminate the Franchise Agreement upon notice to you

Type of Fee	Amount	Due Date	Remarks
<b>Transfer Fee (Franchise Agreement)</b>	\$3,500	Payable before or upon final closing of transfer	You must meet our conditions for approval of any transfer
<b>Interim Management Fee</b>	3% of the Gross Sales plus our costs of travel, meals and lodging actual reasonable overhead expenses incurred by us related to management of the Store	As incurred	Incurred if we are required to run your franchise temporarily due to your death, incapacity, or unexcused absence
<b>Costs and Attorneys' Fees, Indemnification</b>	Will vary under circumstances	Upon occurrence	If we prevail in any proceeding, arbitration, or litigation against you, you must pay the costs and attorneys' fees incurred. You also have indemnification obligations to us. Depending on the circumstances, you may pay these costs and fees to attorneys and other third parties, or reimburse us
<b>National or Regional Conferences</b>	Our then-current fee per attendee	Prior to convention	You must attend all regional or national conferences and meetings that we designate as mandatory. We will designate the locations for these meetings and may charge a conference fee. If you fail to attend, you will still be charged our fee. In addition, you are responsible for all travel and living expenses and all other costs associated with your attendance
<b>Marketing Materials</b>	\$60 per hour plus the cost of materials purchased	As incurred	We may make available to you marketing plans and promotional materials, including coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct-mail materials, community relations programs, and similar marketing and promotional materials for use in local advertising
<b>Insurance Premiums</b>	Reimbursement of our costs plus 10% administrative fee	On demand	If you do not maintain the required insurance coverages, we have the right, but not the obligation, to obtain insurance on your behalf

Type of Fee	Amount	Due Date	Remarks
<b>Liquidated Damages</b>	Will vary under circumstances	Within 30 days after termination of the Franchise Agreement due to your breach	Liquidated damages are equal to the sum of Royalty Fees accrued during the immediately preceding 24 full calendar months, plus all taxes assessed on such payment. If the remaining term of the Franchise Agreement is less than 24 months, the number of previous months Royalty Fees is reduced to the number of months remaining in the term of the Franchise Agreement

Except as noted above, all fees are payable to us. These fees are non-refundable. Unless noted, all fees payable to us or an affiliate are uniformly imposed. If we or an affiliate do not actually receive your payments and the reports we designate on the due date, they will be deemed delinquent.

1. **“Gross Sales”** means the total amount of all revenues received by you related to the Store from the sale of goods and services, including, but not limited to, all revenues from sales at the premises and from direct delivery, catering and/or delivery services through third parties, whether for cash or by check, credit card, trade, or otherwise, in connection with the Store, less customer refunds and returns and any sales tax or any other indirect tax on the supply of goods and services collected from customers and paid to appropriate tax authorities. Gross Sales also excludes revenue derived from selling or issuing system gift or loyalty cards, although revenue you derive from sales to customers who use such cards for payment will be included in Gross Sales.
2. We do not currently, but reserve the right in the future to, charge a technology fee for costs incurred in developing and maintaining the Crispy Cones website and investments in technology for brand and system technology improvements. We reserve the right to charge up to 1% of Gross Sales as a technology fee.
3. We administer a system-wide advertising fund (see Item 11) for all Stores. You are required to contribute 2% of your Gross Sales to this fund on a weekly basis.
4. If you qualify and desire to renew your Franchise Agreement, you will be required to execute a franchise agreement in our then-current form that may include terms that are different than those found in your current Franchise Agreement. You may also be required, at your expense, to reasonably renovate, remodel, redecorate, re-fixtue, or otherwise refurbish your Store to make it consistent with the then current standards and appearance of new Stores.
5. The initial training program will take place at our designated training facility or a company-owned Crispy Cones Store in the Rexburg, Idaho area, or other location designated by Crispy Cones. See Item 11 for additional information regarding the training program. If you are an entity, one approved attendee must be an owner with at least 20% ownership in your entity. If you will not be managing the day-to-day operation of the Store, one general manager who will manage the day-to-day operation must also attend the training. In addition to our fees, you are responsible for the compensation, travel, lodging, and living expenses incurred by your attendees in connection with attendance at the initial training program.

## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
<b>Initial Franchise Fee</b>	\$35,000 (or \$30,000 if qualified U.S. military veteran)	Lump Sum	Upon signing Franchise Agreement	Us
<b>Lease for Premises</b> (Note 1)	\$4,000 - \$10,000	As agreed with landlord	Upon signing lease or as agreed with landlord	Landlord
<b>Improvements for Store Build Out</b> (Note 2)	\$150,000 - \$305,000	As agreed with the contractors and suppliers providing labor or materials	As incurred	Various independent contractors and suppliers
<b>Equipment, Fixtures and Signage</b> (Note 3)	\$70,000 - \$120,000	As agreed with the suppliers	As incurred	Various suppliers including us.
<b>Initial Training Costs</b> (Note 4)	\$4,000	As agreed	As incurred	Us, our employees, and other suppliers
<b>Point of Sale System, Computer Hardware and Software</b> (Note 5)	\$5,000 - \$8,000	As agreed with suppliers	As incurred	Suppliers
<b>Opening Inventory and Supplies</b> (Note 6)	\$8,000- \$15,000	As agreed with suppliers	As incurred	Suppliers and Us
<b>Uniforms</b>	\$500 - \$3,000	As agreed with suppliers	As incurred	Us
<b>Licenses, Permits, Deposits and Prepaid Expenses</b> (Note 7)	\$700 - \$3,000	Lump sum	Before opening	Utility companies, suppliers, and government agencies
<b>Grand Opening Promotional Expenses</b> (Note 8)	\$2,000 - \$5,000	As agreed with suppliers	As incurred	Advertising agencies, suppliers, various media outlets
<b>Professional Fees</b> (Note 9)	\$100 - \$2,000	Lump sum or as arranged by providers	As incurred	Attorneys, accountants, and other consultants
<b>Insurance (3 months)</b> (Note 10)	\$450 - \$3,000	Lump sum or installments, as determined by insurance brokers/carriers	Prior to opening and as required	Insurance brokers/carriers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
<b>Additional Funds (3 months)</b> (Note 11)	\$10,000 - \$30,000	As required	As incurred	Employees, suppliers, utilities and other vendors
<b>Totals</b>	\$284,750 – \$543,000			

We have based the estimates provided in the tables above upon our experience in establishing and operating our affiliated Stores; however, we do not guarantee that your costs will not be higher than described above. You should review these figures carefully with a business adviser before making any decision to enter into a Franchise Agreement.

The estimates in the table above assume that you are developing a single Store. Payments you make to parties other than us or an affiliate may be refundable at the option of the other party. The estimates in the tables above do not include royalty fees payable to us during the operation of your Franchise since these fees are payable out of the Gross Sales of your Store.

1. A Store is approximately 800 to 1,500 square feet in size and may require a deposit of \$4,500 - \$8,000 or more, depending on the size or location. If you do not own adequate space, you must lease or purchase the location for your Store. Due to the cost of land acquisition and new construction, the estimated cost outlined are based on you leasing the premises and includes any security deposit and the first month of rent. You will make rental payments to the landlord that will vary greatly from site to site and are affected by a number of factors, including location, size, visibility, accessibility, and competitive market conditions. Lease security deposits are typically due upon signing and can potentially be refundable if you do not default on your lease. Depending on the real estate market in your area, you may be able to negotiate for a certain number of free months' rent and/or to negotiate the rent security deposit. Your lease may also require you to pay the last month's rent in advance. All franchisees are required to sign an assignment of lease to us in the event of expiration or termination of the Franchise Agreement. If you purchase the location, your costs may vary substantially based on the terms of your purchase.
2. These estimates include the cost of adapting our prototypical architectural and design plans and construction costs (labor and material) for typical build-out and remodeling to prepare a site for operation of a Store, including general contractor fees, materials, and leasehold improvements. The necessary improvements may vary depending on your location, the condition of the premises, and the changes necessary to meet our standards. We must approve your plans and specifications before you begin construction. These estimates do not include lease costs. Your actual construction costs will depend on numerous factors, such as the condition of the premises, duration of the building process (delays), contractors' fees, availability of materials and equipment, interest rates and the insurance coverage you choose. If your landlord contributes to the cost of build-out, total leasehold improvement costs could be reduced.
3. This estimate includes all initial equipment and fixtures for your Store, such as menu boards, refrigeration units, grills, ice cream machines, prep tables, décor, tables, counters, seating, signage, and other equipment used in the operation of your Store. The costs may vary somewhat depending on the size and layout of your Store. This range includes the cost of the grills for the location that you must purchase from us.

4. The initial training for two approved people is covered by the initial training fee. You are also responsible for all expenses you or your employees incur in attending and participating in the initial training program, including travel, lodging, meals, wages, and benefits. These costs will vary depending upon your selection of salary levels, lodging and dining facilities, mode and distance of transportation, and the wages payable to your employees. You may have more than two people attend the initial training, however, you are required to pay our then-current rate for training for each additional person that attends.
5. You are required to use our selected point-of-sale system, software, and hardware. In addition to the costs of the hardware and software, this estimate includes the set-up fee and monthly fee charged for online and application-based ordering for the first three months of operation and the annual subscription cost of the point-of-sale support and maintenance and data warehouse for the first year.
6. We estimate that this range will cover the cost of certain small wares including utensils and dishes. This estimate also includes the cost of food, beverages, condiments, and supplies for approximately the first two to ten days of operation. This range includes \$3,000 to \$10,000 that you must pay to us for purchases of dry mix and branded products.
7. These are estimates of the costs for obtaining local business licenses which typically remain in effect for one year. The amount for licenses and permits can vary significantly, and you should verify specific amounts with local authorities. You may be required to pay a security deposit or other deposits for utilities and suppliers. Deposits for utility services are typically required at the time the service is applied for and may or may not be refundable. You must confirm all of the specific deposits required.
8. You must conduct a grand opening campaign for the Store within 30 days of opening. We may provide you with certain materials or other items related to the grand opening that you will be required to use, and we must approve all advertising materials, methods, and media you use.
9. You should retain an attorney to review the franchise related documents, real estate lease or sublease, or to assist in forming an entity such as a corporation, partnership, limited liability company, or other entity. You should also retain an accountant for advice in establishing and operating your franchise business and filing necessary tax forms and returns. You may also engage other consultants related to the operation of the Store.
10. We require you to obtain and keep in force insurance coverage we designate, which may be changed by us periodically. The current insurance requirements are set forth in Item 8. Your corporate and dba must be listed on the certificate of insurance and must name us as an additional insured. If we request, you must provide us with copies of all policies and endorsements. The table above contains the estimated cost of required insurance coverage for a three-month start-up period; however, the cost of insurance varies, depending upon the insurance company you select, lease requirements, variances in the cost of insurance by location, your claims history, and other factors. Whether insurance premiums are refundable depends on individual insurance carriers and the terms of the insurance policies.
11. You will need additional funds during the start-up phase of your business to pay employees, purchase supplies, and pay other expenses. This amount represents the range of your initial start-up expenses over the first three months. These figures include estimated payroll costs but excludes a draw or salary for the owner during this time. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your business. Your costs will depend

upon factors such as how well you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for the Products; the prevailing wage rates; competition; and the sales level reached during the initial period.

**YOUR ESTIMATED INITIAL INVESTMENT  
(AREA DEVELOPMENT AGREEMENT)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
<b>Development Fee</b> (Note 1)	\$65,000 - \$95,000 (or \$55,000 - \$80,000 if qualified U.S. military veteran)	Lump Sum	Upon signing Area Development Agreement	Us
<b>Totals</b>	\$65,000 - \$95,000 (or \$55,000 - \$80,000 if qualified U.S. military veteran)			

The amounts payable to us are nonrefundable.

- Your development fee will vary, depending on the number of Stores that you agree to develop under your Area Development Agreement. The development fee is equal to \$35,000 for the first Store and \$30,000 for each additional Store thereafter. The development fee is equal to the initial franchise fee for each Store you agree to develop. You will not be required to pay any additional initial franchise fee when you execute the Franchise Agreement for the Stores developed pursuant to the Area Development Agreement. The typical number of Stores that we anticipate in any given Area Development Agreement is between two to three. As an example, if you agree to open three Stores, your development fee would be \$95,000. A discount of \$5,000 per store is offered to qualified U.S. military veterans.

You will incur costs for each Store you commit to develop under your Area Development Agreement. Refer to the costs outlined in the first table above for the estimated initial investment for each Store.

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

To maintain the quality and uniformity of all food products, menu items, ingredients, services, products, materials, forms, items, supplies, Store appearance (both internally and externally), fixtures, furnishings, and equipment utilized in or by Crispy Cones Stores, we may periodically issue certain mandatory standards, specifications, operating procedures, and rules for Stores (the “System Standards”). You must strictly comply with all System Standards as designated in our brand standards manual (“Brand Standards Manual”) and through other communications with you.

**Required Purchases and Suppliers**

You are required to obtain certain products and other items from us, our affiliates, or from sources we approve. We restrict the source of these items to protect trade secrets and other intellectual property rights, assure quality, assure a reliable supply of products meeting our standards, achieve better purchase terms

and delivery service, and to control use of the Marks by third parties. We will provide a list of approved and designated suppliers in the Brand Standards Manual or otherwise in communications with you.

Currently, we require you to use our designated vendors for (i) all food and drink products, paper products, and other supplies for your Store, (ii) certain equipment such as grills, (iii) exterior and interior signage for your Store, (iv) Crispy Cones branded merchandise such as memorabilia, T-shirts, and hats, (v) gift card management and replenishment services, and (vi) computer hardware and software. We or our affiliates may negotiate system-wide agreements with suppliers.

We and our affiliates are currently the approved or sole supplier of (i) the dry mix, (ii) the grills, (iii) exterior and interior signage for your Store, (iv) all branded paper products, and (v) Crispy Cones branded merchandise such as memorabilia, T-shirts, and hats. Additionally, we may in the future designate ourselves or an affiliate as an approved supplier (and, possibly, the sole supplier) of any goods and any other services that are used in the development or operation of your Store. As of the date of this Disclosure Document, none of our officers owns an interest in any approved suppliers (other than us).

### **Purchases According to Specifications**

All inventory and other items we require for which no approved supplier is designated may be purchased from any supplier that satisfies our standards and specifications, as contained in the Brand Standards Manual and other written or electronically transmitted materials that we or an affiliate furnish to you. These specifications cover quality, brand, appearance, and related specifications and may be modified upon written notice to you. In some instances, you must purchase items that comply with our reasonable determination of whether they meet the standards and comport with Crispy Cones brand and image as communicated to you by us from time to time.

If we have not provided specifications, you may purchase any items that reasonably meet the requirements of the business, however, we reserve the right to disapprove of a vendor whose performance and products fall below our standards and specifications.

The site as well as the design and layout of the Store must be completed according to our standards and specifications and the prototypical plans provided by us. You are responsible for adapting or modifying the sample plans to comply with all applicable laws, but we must review and approve all final construction plans and specifications before you begin construction for the Store. You must receive our approval of all contractors, designers, or architects prior to performance of work at the premises of the Store. Our review is only to ensure your compliance with our design requirements. You are ultimately responsible for ensuring that your design meets all applicable laws. Once the Store is constructed, we must approve the premises prior to opening as well as any renovations or changes to the premises.

All local advertising or promotion by you must (i) be in the media and of the type and format as we may approve, (ii) be conducted in a dignified manner, and (iii) conform to the standards and requirements we specify. Please see Item 11 under the heading “Advertising” for information about the procedure to obtain our approval for advertising and promotional materials prepared by you.

In addition, you must obtain and maintain, at your own expense, the insurance coverage we periodically specify and satisfy other insurance-related obligations, including naming us as an additional insured on your policies. Such insurance policies must be written by an insurance company acceptable to us and which has a rating of “A” or higher. We make no representation that such minimums will be adequate for your needs or desires. You will conduct your own investigation and, at your discretion, purchase such coverages over and above the minimums we establish as you determine to be appropriate for your own situation.

Currently you must carry the following minimum coverages: (i) Statutory worker's compensation at a minimum amount required by law and employer's liability insurance in the minimum amount of \$1,000,000; (ii) comprehensive general liability insurance in the minimum amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate and umbrella liability insurance in the amount of no less than \$1,000,000; (iii) property insurance to cover 100% of the full replacement cost; (iv) if any vehicle is used in connection with the operation of the Store, you must also purchase automobile liability insurance (including all owned, non-owned, leased or hired vehicles), with a minimum limit of liability that equals the greater of the amount required by federal, state or local law, or \$1,000,000 per occurrence and in the aggregate; (v) any insurance required by the terms of the lease for the Store; and (vi) any other insurance we may designate. Despite the above, we may change the required insurance coverage, including the terms, conditions, and coverage amounts, at any time during the term of your Franchise Agreement.

### **Alternative Suppliers**

We reserve the right to add or remove approved suppliers for any item that you are required to purchase. You will be provided a list of our approved suppliers, which will be updated from time to time. We evaluate, approve, or disapprove suppliers based on suppliers who demonstrate to us with continued reasonable satisfaction: (i) an ability to meet our standards and specifications, (ii) possess adequate quality control and the capacity to supply our franchisees' needs promptly and reliably, and (iii) who have been approved by us in our manuals or otherwise in writing. If you would like us to approve a different supplier, you are required to submit to us a written request to approve a proposed supplier together with such information as we may reasonably require, including financials, total sales figures, written references, etc. We also reserve the right to require that our representative be permitted to inspect the suppliers' facilities and that samples from the supplier be delivered for our evaluation and testing, either to us or to an independent testing facility designated by us. A charge of \$1,000 is required to be paid by you whether or not the supplier is approved. We will notify you in writing of our approval or disapproval of the proposed supplier and the criteria for our approval and disapproval within 30 days after our receipt of your request and completion of the evaluation and testing. We may revoke approval for a supplier at any time upon 30 days' notice to you.

### **Franchisor Support and Benefits**

We and our affiliates may receive revenue from any of the above-described purchases and may profit from the sale and distribution of items sold to you. Our total revenue from all sources in our last fiscal year was \$576,204, and the revenues from required purchase of our products by franchisees was \$46,566 for the same period, or 8.08% of our total revenues. Our affiliate, Crispy Cones Corporate, will sell certain products described above to franchisees and its revenue from such sales in the last fiscal year was \$0.

The cost of required purchases, including inventory and equipment purchased in accordance with our specifications represents 85% to 90% of your total purchases in connection with the establishment of your franchise and 85% to 90% or more of your cost in continuing your operations. These figures are based on our costs for the company-owned locations.

As of the date of this Disclosure Document we receive rebates from two designated suppliers structured as a percentage of total franchisee purchases. We reserve the right to continue to receive rebates from designated suppliers in the future.

We will negotiate purchase arrangements with potential suppliers, including price, at our discretion for your benefit. We do not provide our franchisees with material benefits, such as the right to purchase additional franchises or to renew based on your use of a supplier designated by us.

At the present time, there are no purchasing or distribution cooperatives.

## ITEM 9. FRANCHISEE’S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Franchise Agreement Section 6; also see Exhibit A, Authorized Location  Area Development Agreement Section 3(b)	Items 7, 11 and 12
b. Pre-opening purchases/leases	Franchise Agreement Sections 6.D., 8.A., 9.B., and 11  Area Development Agreement N/A	Items 7 and 8
c. Site development and other pre-opening requirements	Franchise Agreement Sections 6, 7.A., and 8.B.  Area Development Agreement Section 3(b)	Items 7 and 11
d. Initial and ongoing training	Franchise Agreement Section 7  Area Development Agreement N/A	Items 5, 6, 7, 11 and 15
e. Opening	Franchise Agreement Sections 6.E., 7.B. and 9.B.  Area Development Agreement Section 3(c)	Item 11
f. Fees	Franchise Agreement Sections 2.B.7, 4, 5, and 15.C.  Area Development Agreement Section 5	Items 5, 6, 7, 11 and 17
g. Compliance with System Standards and policies/Operating Procedures Manual	Franchise Agreement Sections 1.A., 3.B., 3.D., 5.B. – 5.E., 6, 8, and 9  Area Development Agreement Section N/A	Items 8, 11, 13, 14 and 16
h. Marks and proprietary information	Franchise Agreement Sections 3 and 10; also see Exhibit D  Area Development Agreement Section 6	Items 13, 14 and 17
i. Restrictions on products/services offered	Franchise Agreement Section 8.A.- 8.C.  Area Development Agreement Section N/A	Items 8 and 16
j. Warranty and customer service requirements	Franchise Agreement Sections 9.D., 9.E., and 9.K.	Item 11

Obligation	Section in Agreement	Disclosure Document Item
	Area Development Agreement Section N/A	
k. Territorial development and sales quotas	Franchise Agreement Section 1.F. Area Development Agreement Sections 2(a) and 3(c)	Items 12 and 17
l. Ongoing product/service purchases	Franchise Agreement Section 8.A.- 8.C. Area Development Agreement Section N/A	Items 8 and 11
m. Maintenance, appearance, and remodeling requirements	Franchise Agreement Sections 6.B., 6.D., 6.E., 9.E., 9.G., and 9.H. Area Development Agreement Section N/A	Items 8, 11 and 17
n. Insurance	Franchise Agreement Section 11 Area Development Agreement Section N/A	Items 7 and 11
o. Advertising	Franchise Agreement Sections 5 and 9.B. Area Development Agreement Section N/A	Items 7, 8 and 11
p. Indemnification	Franchise Agreement Sections 3.G., 9.K. and 13 Area Development Agreement Section N/A	Items 6 and 13
q. Owner's participation/management/staffing	Franchise Agreement Sections 9.A. and 9.K. Area Development Agreement Section 2(a)	Items 11 and 15
r. Records and reports	Franchise Agreement Section 14 Area Development Agreement Section 4	Item 6
s. Inspections and audits	Franchise Agreement Sections 8.D. – 8.F. and 14.C. Area Development Agreement Section N/A	Items 6 and 11
t. Transfer	Franchise Agreement Section 15 Area Development Agreement Section 10(b)	Item 17

Obligation	Section in Agreement	Disclosure Document Item
u. Renewal	Franchise Agreement Section 2.B.  Area Development Agreement Section N/A	Item 17
v. Post-termination obligations	Franchise Agreement Sections 18, 19.B. and 21  Area Development Agreement Section 8	Item 17
w. Non-competition covenants	Franchise Agreement Sections 19 and 21, also see Exhibit D  Area Development Agreement N/A	Item 17
x. Dispute resolution	Franchise Agreement Sections 3.G., 19.C., 20 and 22.D.  Area Development Agreement Section 10(a)	Item 17
y. Other	Not Applicable	Not Applicable

## ITEM 10. FINANCING

We do not offer any direct or indirect financing to Franchisees, but we may do so at any time in the future. We do not guarantee any lease, note, or obligation for any franchisee.

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

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

### **Assistance Before Opening:**

1. **Site Selection.** We must approve the site for your Store. The site must be approved within 90 days after execution of the Franchise Agreement, or the agreement may be terminated by us. This period may be extended upon timely request up to an additional 60 days provided you have been earnestly searching for a suitable premises. We will approve your site location within a reasonable period of time and will not unreasonably withhold approval provided that the site meets our minimum standards for demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, median income, competition from other businesses providing similar services or products in the area, proximity to other businesses, any exclusivity granted to other franchises, the nature of other businesses in proximity to the premises and other commercial characteristics, and size, appearance and other physical characteristics of the premises. Final approval of the site is not a guarantee that your Store can be successfully operated at an approved location. We do not locate the site or negotiate the purchase or lease of the site, although we must approve your lease. (Franchise Agreement, Section 6.A.).
2. **Plans and Specifications.** We will provide you with general specifications for store layout, signs, equipment, and interior décor on which to model the plans to build out your Store. It is your

responsibility to comply with all applicable laws and regulations. (Franchise Agreement, Section 6.B.).

3. **Approval of Premises.** We will make a final inspection of the premises to verify that it is in compliance with our standards and specifications. If the premises of the Store does not meet our standards and specifications, you will not be allowed to open for business. (Franchise Agreement, Section 6.E.).
4. **Suppliers and Products.** We will provide you with a list of specifications and a list of approved or designated suppliers of Crispy Cones inventory, equipment, supplies, logoed items, and other items. We do not offer assistance in delivery or installation of any of these items (Franchise Agreement, Section 8.B.).
5. **Initial Training.** We provide you with an initial training program for up to two individuals once you have signed the Franchise Agreement as part of the initial training fee provided that all individuals must attend training at the same time. If you are an entity, and this is the first Crispy Cones franchise you have opened, one approved attendee must be an owner with at least 20% ownership in your entity (each such owner meeting the ownership threshold is referred to herein as a “Principal Owner”). If a Principal Owner will not manage day-to-day operations, then an approved attendee must also be an approved general manager who will manage the day-to-day operation of the franchise. Additional individuals may attend the initial training if approved by us and upon payment of our then-current fee for this training program. As described in Item 7, you must pay the costs of your own travel, lodging, meals and all other living costs and expenses incurred due to any training programs (Franchise Agreement, Section 7.A.). This training is described in detail later in this Item 11.
6. **Opening Assistance.** We will provide you with up to two weeks of training and opening assistance in-store at your location at around the time of opening and provide you with our required specifications for a grand opening campaign (Franchise Agreement, Sections 7.B.).

#### **Assistance During Operation:**

1. **Brand Standards Manual.** We provide you electronic access to the Brand Standards Manual, which covers the operational procedures of your Store, including food preparation and specifications, customer relations, hands-on operation, bookkeeping, and other operational procedures inclusive of all aspects of operation. You must ensure that access to the Brand Standards Manual is limited to those individuals who must have access to perform their duties, as we further designate. We will update the Brand Standards Manual from time to time. (Franchise Agreement, Section 9.F.).
2. **Ongoing Assistance and Inspections.** We will, upon your request, provide general guidance relating to the operation of your Store and make ourselves reasonably available to consult with you during regular business hours. As we reasonably determine necessary, we will visit and evaluate the Store, the products and service to verify that our System Standards for quality, appearance and the operation of a Crispy Cones Store are met. (Franchise Agreement, Section 7.D. and Section 8.D.).
3. **Point-of Sale, Administrative, Bookkeeping and Accounting.** You are required to use our specified point-of-sale and accounting systems in your Store. You will contract directly with the third-party provider of the systems, must keep the systems up to date, and must pay all fees related to the acquisition, licensing, and necessary updates to the systems. (Franchise Agreement, Section 9.M.).

4. **Additional Training.** We may, in our discretion, provide additional training or refresher programs for any personnel. You may request additional training from us. We will designate the location of such training and charge our then current additional training fee. If we provide training at your Store, you must also pay our expenses for transportation, food, and lodging of each instructor. You are also responsible for such expenses for your attendees. (Franchise Agreement, Section 7.C.).
5. **Advertising.** We will administer the advertising fund and other marketing related services and standards for advertising, marketing, and public relations programs we deem appropriate. (Franchise Agreement, Section 5). We may provide marketing materials for use and will review and approve proposed advertising materials you wish to use. (Franchise Agreement, Section 5.B., 5.E.). We will also maintain a system-wide website and provide a webpage for your Store. (Franchise Agreement, Section 5.C.).
6. **Gift and Loyalty Program.** We will maintain a system-wide gift card and loyalty program. (Franchise Agreement, Section 5.D.).
7. **Price.** To the extent allowed under applicable law, we may periodically set a maximum or minimum price that you will charge for products offered at the Store. (Franchise Agreement, Section 9.C.).
8. **National or Regional Conferences.** We may conduct annual conventions or other national or regional meetings for our franchisees, which will be used to provide additional training and support. (Franchise Agreement, Section 7.E.).

### **Time to Open**

Your Store must be open within seven months from the date you sign the Franchise Agreement. This time period may be extended by an additional 30 days if you timely request an extension in writing and have diligently pursued opening. The time it takes to open the Store may vary depending upon factors such as the weather, the location and condition of the site, your ability to obtain any necessary financing and building, zoning, or other permits and approvals, construction delays, completion of required training, and so forth. Also, you may not open your Store for business until: (i) we approve the Store for opening; (ii) initial training has been completed to our satisfaction; (iii) the initial franchise fee and all other amounts then due to us have been paid in full; (iv) the lease documentation has been signed and all other documentation for development of your Store has been completed; and (v) we have been furnished with copies of all required insurance policies or other evidence of insurance coverage and payment of premiums we require. (Franchise Agreement Section 6.E.).

### **Advertising**

We will maintain and administer a system-wide advertising fund for all Stores. We will provide you a specific webpage on our website for your location. We will also maintain Crispy Cone's website and provide a specific webpage for your Store on such website.

You are required to contribute a non-refundable weekly fee of 2% of your weekly Gross Sales for the maintenance and administration of the advertising fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request. In 2023, we used 25% of the advertising fund on production of advertisements and marketing and 75% of the advertising fund on media placement. If not all marketing funds are spent in any fiscal year in which they accrue, the money will remain in the advertising fund to be spent in the next year. No money from the advertising fund will be spent principally to solicit new franchise sales. (Franchise Agreement, Section 5.A.).

We may provide you with copies of advertising, marketing and promotional formats and materials for use in your Store, which you must purchase from us. (Franchise Agreement, Section 5.B.).

You may develop advertising and promotional materials for your use at your cost. All such materials must be approved by us in advance in writing. Any advertising you create becomes our property and may be used by us or our other franchisees (Franchise Agreement, Sections 3.C. and 5.E.). You may not create a website, social media site, or engage in advertising on the internet without our prior written approval (Franchise Agreement, Section 5.C.).

You must spend at least \$2,000 on a grand opening campaign to promote the opening of your Store within 30 days of opening for business. All advertising materials, methods, and media to be used are subject to our review and approval. (Franchise Agreement, Section 5.B.). Additionally, you must spend at least 1% of your Gross Sales on a monthly basis on local advertising, marketing, and promotional programs. (Franchise Agreement, Section 5.E.).

As of the issuance date of this Disclosure Document, we do not form, organize, maintain, or otherwise make use of advertising cooperatives, nor do we require you to join one. We have the right, however, in the future, to form, organize, maintain, and otherwise make use of local or regional advertising cooperatives based on the media markets or other geographical criteria that we deem appropriate. We have the power to require cooperatives to be formed, changed, dissolved, or merged. If instituted, you may be required to contribute up to 2% of your Gross Sales during the preceding month to such cooperative. If our own locations are members of a cooperative, they must contribute to the fund on the same basis as franchisees. We will administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review as no cooperatives have been created. Cooperatives will be required to prepare unaudited financial statements which will be available for review only by us and by the members of cooperative. (Franchise Agreement, Section 5.F.).

We may establish a franchisee advisory council that serves in an advisory capacity only. This council will be comprised of members appointed by Crispy Cones and elected by franchisees. We will consult with this council on matters related to the franchise system, including marketing and advertising issues. (Franchise Agreement, Section 7.F.).

### **Point of Sale System/Computer System Requirements**

You must also use in your Store our designated point of sale (“POS”) system as upgraded or modified. We also require you to purchase and use our approved computer system, including accounting software, computers, printers, label printers, displays, receipt printers, scanners, cash drawers, and all necessary hardware and software for the operation of your Store (together with the POS, the “Computer System”). The initial cost to purchase the Computer System ranges from \$5,500 to \$7,000 depending on the features used at the specific Store. You must obtain service contracts and pay monthly service and access fees to our designated POS system service provider. This fee is currently 2.45% plus \$0.05 per transaction and covers the access, use, maintenance, and updates or upgrades to the POS.

We also require that you have high-speed Internet access at your Store premises in order to electronically submit to us Gross Sales and financial statement reports for your Store, and to allow us to access information directly from your POS and Computer System. Currently, you may use any Internet service provider that provides high speed access to the Internet. In addition, you must maintain a valid email address, and you authorize us to communicate with you via e-mail at that address.

We have the right to require you in the future to purchase, install, and use a different Computer System or POS, and to designate in the future the supplier or suppliers (which may be or include us) from whom you must purchase these items. You must purchase, install, and begin using any required computer hardware and software in your Store within 60 days of our notice to you. We have the right to require you, at your sole expense to upgrade any required computer hardware and software to meet our then-current standards and specifications. There is no limitation on the frequency and cost of this requirement. We also have the right to independently access the information and data you collect and gather using any required computer hardware and software, and there is no limitation on our right to access this information. (Franchise Agreement, Section 9.M.).

### **Brand Standards Manual**

The Brand Standards Manual contains mandatory and suggested specifications, standards, and operating procedures prescribed from time to time by us for use in Stores and information relative to your other obligations. The table of contents of our Brand Standards Manual is attached as Exhibit D. It contains 38 total pages. (Franchise Agreement, Section 9.F.).

### **Training**

Before the Store opens for business, a Principal Owner (if you are an entity) and/or a general manager (if a general manager must attend training because Principal Owner will not be involved in the Store's on-site, day-to-day operation) must successfully complete our initial training program. Two individuals approved by us must attend the full training program. The fee for the initial training for up to two individuals is included in the initial training fee. There generally are no limits on the number of people whom you may send to initial training, however, you must pay our then current training charge for each additional person after the first two people or for any individual that does not attend the first initial training at the same time as the other individuals. You must also pay all travel and living expenses that all attendees incur, including your employees' wages and workers' compensation insurance, while they attend any applicable training. You are responsible for providing training to your employees who do not attend our training program.

Initial training takes place in-store at either a designated training facility and/or at an operating Store. If you or any required attendee does not successfully complete the initial training, we may terminate the Franchise Agreement without refund of the initial franchise fee. If an individual not required to attend the training does not successfully complete the initial training, we will not terminate the Franchise Agreement. In person training at our designation location will take place over two weeks consisting of 12 days and must be completed no later than 30 days before the anticipated opening date of the Store. We will provide additional on-site training and assistance over a period of up to two weeks at your location around the time of opening. We may require you to attend training similar to the initial training every five years.

We distribute training materials, including our Brand Standards Manual or materials from the manual, and other information relevant to the topics presented and the operation of a Store at various times during the training course. We maintain a formal training staff. The training program is currently overseen by Jeremy Carlson who has six years of experience with Crispy Cones and in the dessert and sweet treat industry, all with Crispy Cones. Kaitlyn Carlson, DJ Sims, and Jason Frost will also be involved in the training program. Kaitlyn has over three years of dessert and sweet treat industry experience, Jason has over 4 years, and DJ has seven months, all with Crispy Cones. Other of our employees may also participate and assist in providing and conducting aspects of the training program and will have at least one year experience with us and with the subjects being taught.

## TRAINING PROGRAM

SUBJECT	Hours of Classroom Training	Hours of “On the job” Training	Location
Welcome/Starter	1.5	0	A designated training facility in the Rexburg, Idaho area and/or at an operating Store.
Team Member Training	1.5	6.5	A designated training facility in the Rexburg, Idaho area and/or at an operating Store.
Supervisor Training	1	7	A designated training facility in the Rexburg, Idaho area and/or at an operating Store.
Manager Training	1	7	A designated training facility in the Rexburg, Idaho area and/or at an operating Store.
Testing	1	2	A designated training facility in the Rexburg, Idaho area and/or at an operating Store.
Flagship Store Practice	0	23	A designated training facility in the Rexburg, Idaho area and/or at an operating Store.
Presentations, one on one interviews, “Reverse” Training, and follow up	24	20.5	A designated training facility in the Rexburg, Idaho area and/or at an operating Store.
<b>TOTAL</b>	<b>30</b>	<b>65.5</b>	

## ITEM 12. TERRITORY

### **Franchise Agreement**

You must operate the Store at the specific authorized location designated in the franchise agreement and at no other location. You will receive a protected territory pursuant to the Franchise Agreement. The size and scope of the protected territory will be set out in the Franchise Agreement and determined on a case-by-case basis based on population density, the business base in the territory, whether your location is in a metropolitan or rural area, and other comparable factors. We may set the boundaries of your territory based on zip code, county lines, designated market area, radius from a specific address, and/or other recognizable demarcations, but will generally not place another traditional franchise unit within 3 miles from your premises in all directions. Except as described below, during the term of the Franchise Agreement, we will not establish, operate, or license any other person to operate a Store in your protected territory. We do not

have the right to modify your protected territory without your approval, but you must comply with the terms of the Franchise Agreement, or we will have the right to terminate the agreement. Your territorial protection depends on your compliance with the terms of the Franchise Agreement.

If we approve your Store to be located at a nontraditional site (such as mall food courts, airports, hospitals, cafeterias, educational facilities, hotels, office buildings and stadiums, arenas, ballparks, festivals, fairs, casinos, military bases and other mass gathering locations or events), you will not be granted a protected territory.

While you will receive the territorial protections set forth in this Item, because we reserve certain rights, 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. Unless you have entered into an Area Development Agreement, you have no options, rights of first refusal, or similar rights to acquire additional franchises in any other locations.

Your territorial protection does not depend on your achieving minimum sales volumes or other factors, other than compliance with the Franchise Agreement. However, continuation of your rights to operate a Crispy Cones Store is dependent on you maintaining a minimum of \$100,000 in annual Gross Sales starting in the first full calendar year after signing the Franchise Agreement, (“Minimum Sales Level”), for each full calendar year in which Franchisee’s Crispy Cones Store is open. If Franchisee fails to meet the Minimum Sales Level in any given year, Franchisee must initiate preparation of a sales performance plan (the “Performance Plan”) and strictly coordinate with Crispy Cones in developing the Performance Plan.

You may not relocate your Store unless the relocation is a result of condemnation, the exercise of a relocation right by your landlord, or for some other reason approved by us in writing. We may condition our approval of any proposed relocation request on (i) the new site and its lease being acceptable to us, (ii) you paying a reasonable relocation fee (as set forth in the Brand Standards Manual or other communications to franchisees), (iii) you reimbursing our costs incurred during the relocation process, including those required to help you construct and develop the Store at the new site in full compliance with our System, (iv) you confirming that the Franchise Agreement remains in effect and governs the operation of your Store at the new premises with no change in the term or, at our option, signing our then-current form of franchise agreement to govern your operation of the Store at the new premises for a new franchise term, (v) you signing a general release, in a form satisfactory to us, of any and all claims against us, our owners, affiliates, officers, directors, employees, and agents (except for our indemnification obligations), (vi) you continuing to operate the Store at the approved premises until we authorize its closure, and (vii) you taking, within the timeframe we specify and at your expense, all action we require to de-brand and de-identify the former premises.

### **Development Agreement**

You will be granted a specified Development Area under your Area Development Agreement. Provided you are in compliance with the Area Development Agreement, all Franchise Agreements, and all other agreements with us, we will not develop or offer to sell franchises to third parties within the Development Area for a specified development period outlined in the Area Development Agreement (“Development Period”) that will be determined based on the number of Stores that you agree to develop. After the Development Period or upon termination of the Area Development Agreement, your right to the Development Area terminates, the Development Area is no longer protected in any way, and you will not have any protected or exclusive area other than as set forth in your Franchise Agreements. You will not receive any exclusive territory regarding soliciting customers. We do not have the right to modify your Development Area without your approval, but you must comply with the development schedule, or we will have the right to terminate your Area Development Agreement.

Typically, your Development Area will be a geographic area with a specific radius, or a specific city, county, zip code or other political subdivision depending on the development obligation and the factors listed below. We reserve the sole right to determine your Development Area before you sign your Area Development Agreement. We may use site availability, demographics, population density, income levels, and your ability to develop Stores within your Development Area, among other factors.

**General**

Except as described above, we and our affiliates have the right, without compensation to you or any other franchisee, to (i) franchise, license, and/or own and operate Stores at any location outside your protected territory and/or Development Area, as applicable, and on any terms and conditions we or an affiliate deem appropriate; (ii) sell and license and franchise others to sell Products and any other products or services under the Marks, or any trade names, trademarks, service marks, trade dress, or other commercial symbols of an affiliate, through all distribution channels outside of your premises; and (iii) franchise, license, and/or own and operate businesses at any locations, and on any terms and conditions we or an affiliate deem appropriate, or distribute products or services through alternative channels of distribution which are similar to the Products or services offered at Stores under trade names, trademarks, service marks, trade dress, or other commercial symbols other than the Marks or those owned by us or an affiliate. These activities may compete with you. Neither we nor our affiliates currently operate, franchise, or have any plan to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will offer.

**ITEM 13. TRADEMARKS**

Under the Franchise Agreement, we grant you the right to operate a Store under Crispy Cones’ name and Marks. You may also use the Marks, as approved by us, in or with your Store. Crispy Cones Holdings is the owner of the Marks and licenses to us the right to use the CC Intellectual Property, including the Marks and to sublicense the right to use the CC Intellectual Property, including the Marks. The license agreement with Crispy Cones Holdings is dated June 23, 2022, and, subject to the terms of the agreement, is of perpetual duration. Other than as set forth in the license agreement, there are no limitations on our use of the Marks.

The following are the principal Marks registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”):

Principal Trademark	Registration No.	Registration Date
 <b>CRISPY CONES</b>	90582048	March 16, 2021
	90582064	March 16, 2021
<b>REVOLUTIONIZING THE SOFT SERVE CONE</b>	90855379	July 29, 2021

All required affidavits have been filed with the USPTO. Crispy Cones Holdings intends to file renewal applications for the Marks. There are no currently effective material determinations of the USPTO, the

Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings. There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark. There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

Your right to use the Marks is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable standards, specifications, operating procedures, and rules that we require.

You must use all Marks in strict compliance with our System and the Brand Standards Manual. You must file for an assumed or fictitious name or DBA in the state where your Store is located. You may not use any Mark as part of any corporate or trade name, or in any modified form, including on any sites on the Internet or world wide web, as an Internet domain name, as part of an electronic mail address, or in any social media site without prior written approval from us. You must display all Marks in the manner we require and use the “™” symbol with respect to any of the Marks that have not yet been registered and the registration symbol “®” in using any of the registered Marks. You must refrain from any business or marketing practice which may be injurious to our business and the good will associated with the Marks or Stores. We have the right to require you to modify or discontinue use of any Mark or use one or more additional or substitute trade or service marks at your cost if we determine that it becomes advisable at any time. You may not contest, directly or indirectly, our right and interest in the Marks and may not make any application for registration of any of the Marks, or any other trademark, service mark, symbol, name, slogan, logo, trade name, or any item similar thereto without our written consent. Any goodwill associated with the Marks and System belongs exclusively to us.

You must immediately notify us of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark. We and our affiliates have the right to take the action we deem appropriate and to exclusively control any litigation, USPTO proceeding, or any other administrative or court proceeding concerning any Mark. At our option, we or our affiliates are entitled to defend and control the defense of any proceeding arising out of your authorized use of any Mark. You must sign any instruments and documents, render assistance, and do those things as, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or otherwise to protect and maintain our interests in the Marks. We will indemnify you against all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark in compliance with the Franchise Agreement, provided that you have timely notified us of the claim or proceeding and have otherwise complied with the Franchise Agreement.

We do not know of any infringing uses that could materially affect your use of the Marks.

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

Except as noted below, we, and our affiliates, do not own any patents or copyrights which are material to the franchise or your operation of a Store. As of the date of this Disclosure Document, there are no patents or copyrights registered or pending, and no patent applications that are material to the franchise.

We claim copyrights in the Brand Standards Manual, construction plans, specifications, and materials, printed advertising, promotional, sales, training, and management materials and in related items you will use in operating your Store. We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office or any court regarding any copyright. There are no agreements currently in effect which

significantly limit our rights to use or franchise the copyrighted materials nor are there any superior prior rights or infringing uses known to us which could materially affect your use of the copyrighted materials in any state.

Your right to use the copyrights is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement, the System, and all applicable standards, specifications, operating procedures, and rules that we require. We have the right to require you to modify or discontinue use of any of the materials in which we claim copyrights if we determine that it becomes advisable at any time. In that case, you must comply with our directions to modify or discontinue the use of those materials within a reasonable time after notice from us.

You must immediately notify us if you learn that any person may be using our copyrighted materials without our consent or authorization. You must also immediately notify us of any challenge to your use of any copyright or claim by any person of any rights in any copyright. We, and our affiliates, have the right to take the action we deem appropriate and the right to control exclusively any litigation, U.S. Copyright Office proceeding, or any other administrative proceeding concerning any copyright. You must sign any instruments and documents, render assistance, and do those things as, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation, Copyright Office proceeding, or other proceeding or otherwise to protect and maintain our interests in the copyrights. We are not required to defend or indemnify you for expenses or damages if you are a party to any administrative or court proceeding concerning any copyright.

We also own the Confidential Information (as defined in Section 10 of the Franchise Agreement) and claim copyrights in the Confidential Information. The Confidential Information includes trade secrets such as inventory buying and management and other information regarding the System and is our proprietary information. The Confidential Information required to operate the Store will be communicated to you, but you will not acquire any interest in any Confidential Information, other than the right to utilize Confidential Information disclosed to you in operating your Store during the term of the Franchise Agreement. You may only use the Confidential Information as outlined in the Franchise Agreement and must limit the disclosure of Confidential Information to individuals who need to know to perform their duties.

If you develop any improvements or additions to the Marks, System, copyrighted materials, or any other trade name, trade or service marks, logos, or commercial symbols related to the System, you must fully disclose those changes to us and obtain our written approval before implementing any such changes. Any of these changes may be used by us and all other franchisees without any obligation to compensate you. You must also assign to us all rights, title, and interest in the changes, including the right to license any of the changes and the right to apply for our own copyrights, trademarks, patents, or other similar or related rights in the changes. We may also authorize you, at our discretion, to utilize any changes developed by other franchisees.

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

### **Franchise Agreement**

You, a Principal Owner, or a general manager who has successfully completed our initial training program, are required to devote your full-time to operate and directly supervise the Store. Although you, the Principal Owner, or the general manager does not need to physically be at the premises at all times in which the Store is open to the public, such individual must manage the day-to-day operation of the Store and assure that such operation is in accordance with the System and the Franchise Agreement. You, the Principal Owner, or the general manager who is responsible for the day-to-day supervision of the Store must assume

responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with such obligations.

If your approved and trained general manager is terminated or leaves the Store, a Principal Owner or other individual that has successfully completed our initial training program must manage the day-to-day operation of the business until the successor manager has successfully completed our training program.

You must obtain covenants from all owners, if you are an entity, and all individuals with managerial responsibility at the Store. These covenants will concern maintaining the confidentiality of our Confidential Information and an agreement not to compete with the Store or any other business operated under the System using the Marks. This non-disclosure and non-competition agreement is included as Exhibit D to the Franchise Agreement.

In addition, if you are a legal entity, each shareholder, partner, or member owning, directly or indirectly, at least 5% of the beneficial ownership interest in the entity must personally guarantee your obligations under the Franchise Agreement. This guarantee is included as Exhibit E to the Franchise Agreement.

### **Area Development Agreement**

You must use your best efforts in exercising your development rights under the Area Development Agreement and you may not subcontract or delegate any of your obligations under the Area Development Agreement.

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

In operating your Store, you must offer all menu items, food products, and other products and services we designate as required for franchisees. You may offer for sale only those goods and services that we approve in writing for you to sell and must obtain our prior written approval for any additional menu items. You may not deviate from our standards and specifications without our prior written consent. You must maintain a sufficient inventory of food, beverage, and other items, ingredients, supplies, and other materials. We may designate or recommend, to the extent allowed under applicable law, prices for products and services offered at the Store.

We may authorize tests of new products or services at company or affiliate owned or franchised stores. Based upon the results of these tests, we may make changes in our menu. We may designate additional required or optional goods and services in the future and to withdraw any of our previous approvals. We have the right to change authorized products and services you may offer and sell at your particular Store and there are no limits on our right to make changes.

You may operate the Store only at the approved location and may not make off-site sales or provide delivery services, except as specifically authorized by us in writing as part of the System Standards.

## ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Franchise Agreement Section 2.A.; Exhibit B  Area Development Agreement Section 1(b)	10 years from the date the Store opens for business to the public.  Term ends on opening date of last Store covered by Development Schedule or on the last day listed on the Development Schedule.
b. Renewal or extension of the term	Franchise Agreement Section 2.B.  Area Development Agreement N/A	You have the right to renew for one additional 10 year term, if you are not in default and meet our renewal conditions.
c. Requirements for you to renew or extend	Franchise Agreement Section 2.B.  Area Development Agreement N/A	You must give 180 days prior notice; have sufficient remaining term on your lease for the premises to operate the franchise for the term; not be in default of your Franchise Agreement; remodel the premises at your expense to reflect the then-current physical appearance of new Stores; sign our then-current franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement); pay a non-fundable renewal fee of \$3,500; and you, and each person owning an interest in you, sign a general release in a form satisfactory to us.
d. Termination by you	Franchise Agreement Section 17	You may terminate the Franchise Agreement if we violate any material obligation and fail to cure such violation within 60 days after our receipt of written notice from you, or such longer time as may be required due to the nature of the violation; provided, that you are in substantial compliance with the Franchise Agreement at the time of giving the notice of termination.



Provision	Section in Franchise or Other Agreement	Summary
	Area Development Agreement Section 7(a)	<p>any similar arrangement; (7) you voluntarily or otherwise abandon the business by failing to operate for five consecutive days or any shorter period of time after which it is not unreasonable to conclude that you do not intend to continue to operate; (8) you are involved in any act or conduct that materially impairs the goodwill associated with the name Crispy Cones or any of the Marks or System; (9) you breach any non-competition obligation; (10) you willfully and materially falsify any report statement or other data given to us; (11) you or your assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you violate any such law, ordinance, or regulation; (12) you make any material misrepresentations in connection with the Franchise Agreement or the acquisition of the Store; or (12) you violate any health, safety or sanitation law, ordinance or regulation and do not cure within 72 hours.</p> <p>Non-curable defaults: insolvency or an assignment for benefit of creditors; failure to comply with your Development Schedule; your material misrepresentation to us; felony conviction or no contest plea or conduct; unauthorized transfer or termination of this or any other agreement with us; unauthorized use of trademarks or unauthorized disclosure of intellectual property; failure any three times in a year to pay financial obligations; failure to comply with any Franchise agreement without timely curing; failure any three times in a calendar year to comply with the Area Development Agreement, even if cured.</p>
i. Your obligations on termination/non-renewal	Franchise Agreement Sections 10, 18 and 19.B.	Maintain the confidentiality of all Confidential Information; return or destroy all Confidential Information including the Brand Standards Manual, advertising and other printed materials related to the operation of the franchise; pay all amounts due; not hold yourself out as our franchisee; comply with all non-competition covenants; cease use of Crispy Cones name, the Marks and the System; execute all documents and take all other action necessary to remove your name from any register relating to business names and Marks; take all action necessary to assign all telephone numbers, email address, social media and similar accounts to us; and redecorate the

Provision	Section in Franchise or Other Agreement	Summary
	Area Development Agreement Section 8	<p>premises, both interior and exterior so that it is easily distinguished from the standard appearance of Crispy Cones Stores.</p> <p>Cease exercising development rights; cease to represent yourself as a Crispy Cones developer; return Confidential Information; pay all amounts due to us; comply with all provisions of Area Development Agreement that survive termination.</p>
j. Assignment of contract by us	Franchise Agreement Section 15.G.  Area Development Agreement Section 10(b)	<p>No restriction on our right to transfer or assign.</p> <p>No restriction on our right to transfer or assign.</p>
k. "Transfer" by you – defined	Franchise Agreement Section 15.A.  Area Development Agreement Section 10(b)	<p>Includes assignment of Franchise Agreement, or change in ownership or a sale of assets or similar transaction in which you turn over the operation of the business.</p> <p>Includes assignment, sale or transfer of any interest in Area Development Agreement.</p>
l. Our approval of transfer by you	Franchise Agreement Section 15.B.  Area Development Agreement Section 10(b)	<p>We have the right to approve all transfers but will not unreasonably withhold approval if our specified requirements are met, including the payment of a transfer fee.</p> <p>We must consent in writing prior to any proposed transfer.</p>
m. Conditions for our approval of transfer	Franchise Agreement Sections 15.B. – 15.D.	<p>Transferee must meet then current standards for new franchisees and sign the then-current form of franchise agreement; you must pay all amounts due to use and a transfer fee equal to 25% of our then-current franchise fee; you must have provided us all required reports; you must have complied with all required modernization or refurbishment of the premises; you and each guarantor must sign a general release of all claims; the transferee must, at its expense, comply with all training requirements, including any initial training; you must provide us any financial reports and data we require; and you must provide the terms and conditions of the transfer to us in writing.</p>

Provision	Section in Franchise or Other Agreement	Summary
	Area Development Agreement Section 10(b)	We have the right to approve all transfers, in our sole discretion.
n. Our right of first refusal to acquire your business	Franchise Agreement Section 15.F.  Area Development Agreement N/A	We have a right of first refusal to match any offer for your assets, the Franchise Agreement, or the business within 30 days of you providing the required information regarding the offer to us.
o. Our option to purchase your business	Franchise Agreement Section 18.C.  Area Development Agreement N/A	We have the right, at our option, within 45 days of expiration or termination, to purchase your assets at fair market value and to assume the lease for the premises.
p. Your death or disability	Franchise Agreement Section 15.E.  Area Development Agreement N/A	An approved personal representative may continue to operate the Store if appointed within 120 days after such death or incapacity or the business must be transferred. We have the right to operate your Store until a new franchisee is appointed.
q. Non-competition covenants during the term of the franchise	Franchise Agreement Section 19.A.  Area Development Agreement N/A	Subject to applicable state law, you may not have any interest in or services for a competitive business. You may not circumvent, avoid or bypass us in any manner, directly or indirectly, to avoid payment of fees, royalties, or any other obligation in any way involving any of the parties or to direct customers or potential customers to any competing business.
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement Section 19.B.  Area Development Agreement N/A	Subject to applicable state law, for two years, you may not have any interest in or services for a competitive business within 25 miles of your Crispy Cones Store or 25 miles of any existing Crispy Cones Store.

Provision	Section in Franchise or Other Agreement	Summary
s. Modification of the agreement	<p>Franchise Agreement Sections 9.F. and 22.B.</p> <p>Area Development Agreement Section 10(c)</p>	<p>Modifications of the Franchise Agreement must be in writing and signed by both parties, but the System, Brand Standards Manual, policies and procedures are subject to change by us.</p> <p>Modifications of the Area Development Agreement must be in writing and signed by both parties.</p>
t. Integration/merger clause	<p>Franchise Agreement Section 22.H.</p> <p>Area Development Agreement Section 11</p>	<p>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. Nothing in the Franchise Agreement is intended to disclaim representations we made in this Disclosure Document.</p> <p>Only the terms of the Area Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Area Development Agreement may not be enforceable.</p>
u. Dispute resolution by arbitration or mediation	<p>Franchise Agreement Section 20</p> <p>Area Development Agreement Section 10(a)</p>	<p>Except for certain claims, disputes must be arbitrated in Madison County, Idaho, subject to applicable state law.</p> <p>Except for certain claims, disputes must be arbitrated in Madison County, Idaho, subject to applicable state law.</p>
v. Choice of forum	<p>Franchise Agreement Sections 20.A. and 22.D.</p> <p>Area Development Agreement Section 10(a)</p>	<p>Arbitration must be conducted in Madison County, Idaho, and litigation, if any, must be in the state courts in Madison County, Idaho or federal courts of the District of Idaho, subject to applicable state law.</p> <p>Arbitration must be conducted in Madison County, Idaho, and litigation, if any, must be in the state courts in Madison County, Idaho or federal courts of the District of Idaho, subject to applicable state law.</p>

<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
w. Choice of law	Franchise Agreement Section 22.D.	Idaho law applies, subject to applicable state law.
	Area Development Agreement Section 10(a)	Idaho law applies, subject to applicable 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 Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The financial performance representations below include information from both of our corporate locations as of December 31, 2023. The data presented includes the average, high, low and median Gross Sales, Cost of Goods Sold, and Gross Profit for these locations. These stores are in towns with populations of approximately 39,000 to 53,000 based on the 2020 US census. We had three franchise locations open as of December 31, 2023. However, these locations are not reported because they have not been open for a full calendar year.

	<b>Average</b>	<b>High</b>	<b>Median</b>	<b>Low</b>
Gross Sales	\$229,099	\$265,901	\$229,099	\$192,296
Cost of Goods Sold	\$56,243	\$69,147	\$56,243	\$43,340
Gross Profit	\$172,856	\$196,754	\$172,856	\$148,956

As used in this financial performance representation, Gross Sales, Cost of Goods Sold and Gross Profits have the following meanings:

“Gross Sales” means the total revenue from the sale of goods or services less discounts, sales or other applicable taxes, tips, returns and gift card sales.

“Cost of Goods Sold” means the cost of goods sold, including all costs related to the creation or acquisition of the product or services sold.

“Gross Profit” means Gross Sales less Cost of Goods Sold.

**Some outlets have sold or earned this amount. Your individual results may differ. There is no assurance that you’ll sell or earn as much.**

Except as set forth above, we do not make any financial performance 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 future income, you should report it to Franchisor’s management by contacting Jeremy Carlson at 3878 Jake Way, Suite 101, Rexburg, Idaho 83440, (208) 479-7238, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

**TABLE 1: SYSTEM-WIDE OUTLET SUMMARY FOR (FISCAL) YEARS 2021 TO 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	3	+3
Company Owned	2021	1	2	+1
	2022	2	2	0
	2023	2	2	0
Total Outlets	2021	2	2	+1
	2022	2	2	0
	2023	2	5	+3

<sup>1</sup> This initial store operated out of a tent and/or trailer from 2018 to 2022 when we opened a storefront in Rexburg, Idaho.

**TABLE 2: TRANSFER OF OUTLETS FROM FRANCHISEE TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR (FISCAL) YEARS 2021 TO 2023**

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

**TABLE 3: STATUS OF FRANCHISED OUTLETS FOR (FISCAL) YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewal	Re-acquired by franchisor	Ceased operations other reasons	Outlets at End of Year
Arizona	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
Utah	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Totals	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3

**TABLE 4: STATUS OF COMPANY OUTLETS FOR YEARS 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets re-acquired from franchisee	Outlets closed	Outlets sold to franchisee	Outlets at End of Year
Idaho	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Utah	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Totals	2021	1	1	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2

**TABLE 5: PROJECTED OPENINGS AS OF DECEMBER 31, 2023  
(LAST DAY OF FISCAL YEAR)**

<b>State</b>	<b>Franchise agreements signed but outlet not opened</b>	<b>Projected new franchised outlets in the next fiscal year</b>	<b>Projected new company-owned outlets in the next fiscal year</b>
Arizona	1	1	0
Florida	2	2	0
Texas	1	1	0
Utah	1	1	0
Total	5	5	0

Attached as Exhibit E is a list of the names, addresses, and telephone numbers of all current franchisees and area developers. No franchisee had an outlet terminated, cancelled, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year. The contact information for any such franchisees will be found on Exhibit E. In addition, no franchisee has failed to communicate with us within 10 weeks of the date of this Disclosure Document. If you buy a Crispy Cones franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no franchisees or licensees have signed confidentiality clauses. Future franchisees will be required to sign agreements that include confidentiality clauses. In some instances, franchisees will sign agreements restricting their ability to speak openly about their experience with Crispy Cones franchise system.

There is no trademark-specific franchisee organization associated with Crispy Cones franchise system and no franchisee organization incorporated or otherwise organized under state law has asked us to be included in this Disclosure Document.

### **ITEM 21. FINANCIAL STATEMENTS**

Attached as Exhibit F to this Disclosure Document are unaudited interim financial statements as of January 31, 2024 and audited financial statements for the years ended December 31, 2023 and December 31, 2022. We did not offer franchises prior to 2022 and do not yet have all required audited financial statements so we cannot include all of the financial statements otherwise required by the FTC rule. We are utilizing the phase-in option available under the FTC rule and state specific rules.

### **ITEM 22. CONTRACTS**

The following agreements and other required exhibits are attached to this Disclosure Document in the pages immediately following:

- Exhibit B** - Franchise Agreement and related Exhibits
  - Authorized Location
  - Acknowledgment of Opening
  - Entity Ownership Addendum

Non-Disclosure and Non-Competition Agreement  
Guaranty  
Lease Addendum  
Direct Payment Authorization  
General Release Agreement

If you are granted the right to open and operate multiple Stores, you must sign the Area Development Agreement and all related exhibits included as Exhibit C. The related agreements include:

**Exhibit C** - Area Development Agreement and related Exhibits  
Development Area and Development Schedule  
Entity Information and Ownership

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**

Exhibit I of this Disclosure Document is a detachable document prepared in duplicate, acknowledging receipt of the Disclosure Document by you. You must sign both copies. Keep one copy for your records. Please return the other copy to us by mailing it to Crispy Cones Franchising, LLC, Attn: Jeremy Carlson at 3878 Jake Way, Suite 101, Rexburg, Idaho 83440 or by emailing a copy of the signed receipt to [crispyconesfranchising@gmail.com](mailto:crispyconesfranchising@gmail.com).

## EXHIBIT A

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

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of the Department of Financial Protection and Innovation	2101 Arena Blvd. Sacramento, CA 95834 (866) 275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2744
Illinois (State Administrator)	Illinois Attorney General Franchise Bureau	500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204 (317) 232-6681
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E111 Indianapolis, IN 46204 (317) 232-6681
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6300
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place, 20 <sup>th</sup> Floor Baltimore, MD 21202-2020 (410) 576-6360
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section	Williams Building, 7th Floor 525 West Ottawa Street Lansing, MI 48909 (517) 335-7567
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 539-1638
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 <sup>st</sup> floor New York, NY 10005 (212) 416-8222
New York (Agent)	New York Secretary of State	99 Washington Avenue Albany, NY 12231-0001

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
North Dakota (State Administrator)	North Dakota Securities Department	600 East Boulevard Avenue State Capitol, 14 <sup>th</sup> Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-2910
North Dakota (Agent)	Securities Commissioner	600 East Boulevard Avenue, State Capitol, 14 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-2910
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue Building 69-2 Cranston, RI 02920 (401) 462-9500
South Dakota	Division of Insurance Securities Regulation	124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
Virginia (State Administrator)	Virginia State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219-3630 (804) 371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 (360) 902-8715
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, 4 <sup>th</sup> Floor Madison, WI 53705-9100 (608) 261-9555

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



**CRISPY**  

---

**CONES**

®

**FRANCHISE AGREEMENT**

Between

Crispy Cones Franchising, LLC

an Idaho limited liability company

and

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

Date of Franchise Agreement

\_\_\_\_\_

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## FRANCHISE AGREEMENT

This Franchise Agreement (“Agreement”) is made and entered into this \_\_\_ day of \_\_\_\_\_ 20\_\_ (the “Effective Date”), by and between Crispy Cones Franchising, LLC, a Idaho limited liability company, with its principal business address at 3878 Jake Way, Suite 101, Rexburg, ID 83440 (“Crispy Cones”), and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal business address at \_\_\_\_\_ (“Franchisee”). Crispy Cones and Franchisee are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

### RECITALS

WHEREAS, Crispy Cones has developed and established methods, procedures, standards, and specifications, including, but not limited to, those set forth in any manuals, which Crispy Cones may improve, further develop or otherwise modify from time to time (the “System”), for the operation of a dessert and sweet treats store offering European-style gourmet soft serve ice cream and fruit cones in addition to other items authorized by Crispy Cones (the “Products”);

WHEREAS, Crispy Cones has the right to utilize certain trademarks, service marks, logos, commercial symbols and such other names and marks as Crispy Cones may designate, or at a later time register, license or designate (the “Marks”) that relate to the operation of a Crispy Cones® branded store (a “Store”) through a perpetual license with its parent company;

WHEREAS, Crispy Cones has the rights to franchise and license the Marks and the System to third-party franchisees to allow such franchisees to develop and operate a Store using the Marks and the System (the “Franchised Business”);

WHEREAS, Franchisee has had an adequate opportunity and has been thoroughly advised of the provisions of this Agreement and has had sufficient time and opportunity to evaluate and investigate the Franchised Business, the procedures and financial requirements associated with the Franchised Business as well as the competitive market in which it operates;

WHEREAS, it is the intent of both Crispy Cones and Franchisee to preserve continuing consumer confidence in the quality and reliability of all Crispy Cones Stores and the products and services provided using the System and Marks, and each Party desires that all Stores consistently conform to the highest expectations of consumers of such products and services; and

WHEREAS, Franchisee desires to acquire from Crispy Cones and Crispy Cones is willing to grant to Franchisee the right to operate a Franchised Business subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants agreements, recitals, obligations, terms and conditions herein contained, and the acts to be performed by the respective parties herein, the Parties hereby agree as follows:

## AGREEMENT

### 1. GRANT OF FRANCHISE

A. Grant of Franchise. Subject to the provisions of this Agreement, Crispy Cones grants to Franchisee, and Franchisee hereby accepts, the non-exclusive right and license to operate one Store using the Marks and the System. Franchisee will maintain, operate, and conduct all of Franchisee's activities under this Agreement with regard to the franchise granted hereunder and all business activities regarding the Franchised Business in strict compliance with this Agreement and the System as it may be changed, improved, and further developed from time to time by Crispy Cones.

B. Authorized Location. The Franchised Business may be operated only at the location approved and authorized by Crispy Cones (the "Authorized Location") as set forth on Exhibit A. This Agreement does not grant to Franchisee the right or license to operate the Franchised Business or to offer or sell any Crispy Cones Products at or from any location other than the Authorized Location. No business activity other than the Franchised Business may take place at the Authorized Location and Franchisee may not use the Marks or System in relation to any business other than the Franchised Business. Franchisee may not relocate the Franchised Business without the expressed prior written consent of Franchisor. If a site for the Franchised Business has not been approved prior to entering into this Agreement, once a site is selected by Franchisee and approved by Crispy Cones as set forth herein, the Parties will execute Exhibit A to acknowledge the Authorized Location.

C. Protected Territory. Except as noted below, the license is limited to the right to develop and operate one Store at the Authorized Location within the area set forth on Exhibit A (the "Protected Territory"). During the term of this Agreement and provided Franchisee is in compliance with the terms and conditions of this Agreement, Crispy Cones will not locate either a company-owned or Franchised Business within the Protected Territory or establish a company-owned or another Franchised Business in the Protected Territory under the Marks or other trademarks that offers the same products and services as the Franchised Business. The license granted to Franchisee herein does not, however, include (i) any right to sell products or services at any location other than the Authorized Location, (ii) any right to sell products or services to any person or entity for resale or further distribution, except as Crispy Cones may designate in writing, or (iii) any right to exclude, control, or impose conditions on Crispy Cones' development of future franchised, company, or affiliate owned Crispy Cones Store at any time or at any location outside the Protected Territory. The Protected Territory may be adjusted in Crispy Cones' reasonable discretion depending on the density of the population within the Protected Territory and/or the location of the Authorized Location. Crispy Cones may also adjust the boundaries of the Protected Territory if the population in the Protected Territory increases by 100,000 residents or more as measured from the date of this Agreement.

D. No Customer Exclusivity. Franchisee expressly acknowledges that all Crispy Cones Stores, regardless of whether owned by Crispy Cones or a third party, may solicit and sell products to customers regardless of their geographic location, including customers located in the Territory.

E. Rights Reserved By Crispy Cones. Other than the right and license under this Agreement to operate a Franchised Business at the Authorized Location, Crispy Cones retains all rights not expressly granted herein, including but not limited to the right to develop, operate, franchise, or license other Stores at any location Crispy Cones deems appropriate outside of the Protected Territory or sell any products in any channel of distribution under the Marks. Crispy Cones may merge with, acquire, or become associated with any businesses of any kind under other systems and/or other marks, which businesses may convert or

operate under the Marks or other trademarks or service marks and may offer or sell products and services that are the same as or similar to the products and services offered by the Franchised Business, and which may be located anywhere, including in close proximity to the Franchised Business. Franchisee understands that Crispy Cones and its affiliates may also sell any products or services under service marks or trademarks other than the Marks. Crispy Cones and its affiliates specifically reserve the right to market and sell in Franchisee's Protected Territory through various means, including through catering services and to sell franchises or license for non-traditional locations or to operate non-traditional locations owned by Crispy Cones in the Protected Territory. Non-traditional locations include, but are not limited to, hotels, convention centers, airports, universities, military bases, casinos, travel plazas, hospitals, stadiums, food trucks or other mobile kiosks, festivals, or other mass gatherings where the primary purpose of customer's visit to the venue is typically for something other than purchasing goods from a Crispy Cones Store. Furthermore, Crispy Cones reserves the right to sell, market and distribute Crispy Cones Products in the Protected Territory and elsewhere using other marketing and strategies and distribution channels including the internet, apps, social media, catalog sales, direct sales, retail or wholesale outlets, and/or co-branding with others without compensating Franchisee. Franchisee may not sell Crispy Cones Products and/or services using such reserved marketing strategies and distribution channels without the prior written permission of Crispy Cone.

F. Minimum Gross Sales Levels. Starting in the first full calendar year after signing this Agreement, Franchisee must achieve a minimum of \$100,000 in annual Gross Sales, as defined in Section 4.B. ("Minimum Sales Level"), for each full calendar year in which Franchisee's Crispy Cones Store is open. If Franchisee fails to meet the Minimum Sales Level in any given year, Franchisee must initiate preparation of a sales performance plan (the "Performance Plan") and strictly coordinate with Crispy Cones in developing the Performance Plan. This Performance Plan will outline requirements Franchisee must implement to the Crispy Cones Store and a period of time within which Franchisee must meet the Minimum Sales Level and/or other performance requirements set forth in the Performance Plan. Failure to strictly comply with the Performance Plan within 30 days of its issuance may result in termination of this Agreement or in Crispy Cones taking any other action allowed under this Agreement, as determined by Crispy Cones in its sole discretion.

G. National Accounts. Crispy Cones expressly reserves the right to sell, market, and distribute Crispy Cones Products and related products to all National Accounts, both within and without the Protected Territory. A "National Account" is defined as a company with multiple units or outlets located in more than one geographical area or territory. Franchisee may not sell, market, or distribute to such National Accounts without the written consent of Crispy Cones.

## 2. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. Unless earlier terminated as provided herein, the term of this Agreement commences on the Effective Date and continues for a period of ten years from the date that the Franchised Business opens to the public. Upon opening, Franchisee shall execute the acknowledgement of opening attached as Exhibit B to acknowledge the date the Franchised Business opened to the public.

B. Renewal. Franchisee will have the right to renew its franchise for one additional ten-year term, provided Franchisee meets the following conditions as of the renewal date:

1. Franchisee has given Crispy Cones written notice of its intention to renew at least 180 days prior to the end of the initial term of this Agreement;

2. Franchisee has sufficient remaining term on its lease for the premises to operate the Franchised Business for the renewal term;
3. Franchisee is not, at the time of such notice nor at any time prior to expiration of the term, in default of any of the provisions of this Agreement, the requirements of the System nor any other agreement with Crispy Cones, any of Crispy Cones' affiliates, any supplier or creditor and any lessor of the premises used for the Franchised Business, including the payment of all monetary obligations owed;
4. Franchisee has, at its expense and to Crispy Cones' satisfaction, remodeled, modernized, and redecorated the premises of the Franchised Business and has replaced and modernized the supplies, signs, fixtures, and equipment used in such Franchised Business, as Crispy Cones may reasonably require, so that the business premises reflects the then-current physical appearance, image and standards of new Stores;
5. Franchisee executes Crispy Cones' then-current form of franchise agreement, provided that such agreement will not grant any additional renewal rights. Franchisee acknowledges that the provisions of Crispy Cones' then-current form of franchise agreement may, at that time, vary in substance and form from the provisions of this Agreement, including the increase of any fees;
6. Franchisee and each person or entity owning a legal or beneficial interest in Franchisee execute a general release, in a form satisfactory to Crispy Cones, of any and all claims it may have against Crispy Cones, including any affiliates or subsidiaries, and its officers, directors, shareholders, managers, members, partners, employees and agents in the form of the General Release attached hereto as Exhibit H; and
7. Payment to Crispy Cones of a renewal fee equal to \$3,500 upon execution of the renewal franchise agreement.

Notwithstanding the foregoing, Franchisee shall not have the right to renew if Crispy Cones has given Franchisee notice at least 180 days prior to expiration of the initial term of its intent not to renew because Crispy Cones is withdrawing from the market area in its sole and absolute right.

### 3. **OWNERSHIP AND USE OF MARKS AND SYSTEM**

A. **Ownership.** As between the Parties, Crispy Cones is the owner and has a right to license, as provided herein, the name "Crispy Cones," other Marks designated by Crispy Cones for use in operation of the Franchised Business, other Stores, and the System. Franchisee expressly acknowledges the validity and enforceability of the Marks and agrees that during the term on this Agreement and thereafter Franchisee will not represent in any manner that Franchisee has any ownership in the Marks and will not challenge or contest the ownership, validity, or enforceability, directly or indirectly, of the Marks. All use of the Marks by Franchisee pursuant to this Agreement or any goodwill created thereby inures exclusively to the benefit of Crispy Cones and its parent company, and this Agreement or the operation of the Franchised Business pursuant hereto does not create in Franchisee's favor any right, title, or interest in or to the Marks.

B. **Use.** Franchisee's right to use and identify with the Marks and System applies only to the operation of the Franchised Business, and only so long as this Agreement is in effect and Franchisee is in complete compliance with Crispy Cones' quality standards. Franchisee will not have or acquire any rights

in any of the Marks or System other than the right of use as governed by this Agreement. Franchisee will have the right to use the Marks and System only in the manner prescribed, directed, and approved by Crispy Cones in writing. Franchisee will comply with all trademark, trade name, service mark, and copyright notice marking requirements. If, in the judgment of Crispy Cones, the acts of Franchisee infringe upon or demean the goodwill, standards of uniformity or quality, or business standing associated with the Marks and System, Franchisee will immediately, upon written notice from Crispy Cones, modify its use of the Marks and System in the manner prescribed by Crispy Cones. Franchisee will not, during or after the term of this Agreement, do anything directly or indirectly which would infringe upon, harm, mislead, or contest the rights of Crispy Cones in the Marks or System. Franchisee agrees to provide to Crispy Cones each year during the term a report describing its use of the Marks, along with samples of such use (including without limitation samples of marketing materials).

C. Concepts Developed by Franchisee. All ideas, concepts, techniques, improvements, or materials relating to the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Crispy Cones and will be deemed to be Crispy Cones' sole and exclusive property, part of the System, and "works made for hire" for Crispy Cones. To the extent that any item does not qualify as a "work made for hire" by Crispy Cones, Franchisee hereby assigns ownership of that item, and all related rights to that item, to Crispy Cones and agrees to take whatever action, including signing assignment or other documents, Crispy Cones requests to evidence Crispy Cones' ownership or to help Crispy Cones obtain intellectual property rights in the item.

D. Operation Using the Marks. Franchisee agrees that the Franchised Business operated will be clearly identified and advertised as a Crispy Cones Store. Franchisee has the right to use the Marks for advertising only as set forth herein. The style, form, and use of the words Crispy Cones in any advertising, written materials, or supplies must have the prior written approval of Crispy Cones. Franchisee will use the name Crispy Cones and the other Marks, which now or hereafter may form a part of the System, on all paper supplies, business cards, letterhead, envelopes, uniforms, advertising materials, signs, or other articles in the identical combination and manner as may be prescribed by Crispy Cones in writing or will purchase such items from Crispy Cones as it may designate in its sole discretion.

E. Corporate Identity. Franchisee will not use the words Crispy Cones in its corporate or partnership name. Franchisee must file for an assumed or fictitious name or DBA in the state where the Franchised Business is located. Franchisee will clearly indicate on its business checks, purchase orders, business cards, receipts, promotional materials, other written materials, and at the premises of the Franchised Business that Franchisee is an independent entity operating as a Crispy Cones franchisee.

F. Discontinuance or Substitutions. If there is a claim by any third party that its rights to use any of the Marks are superior and if Crispy Cones determines that such claim is legally meritorious, Franchisee will, upon receiving written notice from Crispy Cones, immediately discontinue use of the Marks and/or implement such changes and amendments to the Marks as may be required by Crispy Cones. Franchisee will not make any changes or amendments in or to the use of the Marks and System unless so directed by Crispy Cones in writing. Crispy Cones will not be obligated to reimburse Franchisee for any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute trademark or service mark.

G. Litigation. Crispy Cones may, in its sole discretion, prosecute or defend any action or proceeding that Crispy Cones deems necessary or desirable for the protection of the Marks. Franchisee will execute any documents and render such other reasonable assistance as is deemed necessary by Crispy

Cones or its affiliates to obtain protection for the Marks or to maintain their continued validity and enforceability and will promptly inform Crispy Cones if it becomes aware of the infringement of any Marks. Franchisee will have no obligation to and will not, without the prior written consent of Crispy Cones, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. Franchisee will, however, immediately notify Crispy Cones of any claims or complaints made against Franchisee with respect to the Marks and will, at its expense, cooperate in all respects with Crispy Cones in any court or other proceedings involving the Marks. Crispy Cones will pay the cost and expense of all litigation incurred by Crispy Cones, specifically relating to the Marks, including attorneys' fees. Crispy Cones, its affiliates, and its legal counsel will have the right to control and conduct any litigation relating to the Marks. Crispy Cones agrees to indemnify Franchisee against and to reimburse Franchisee for all damages for which Franchisee is held liable in any proceeding arising out of Franchisee's authorized use of any Mark in compliance with this Agreement, provided that Franchisee has timely notified Crispy Cones of the claim or proceeding and has otherwise complied with this Agreement.

#### 4. **FEES AND PAYMENT.**

A. **Initial Franchise Fee.** Franchisee will pay Crispy Cones an "**Initial Franchise Fee**" equal to \$35,000 upon execution of this Agreement by wire transfer, or another method approved by Crispy Cones. The Initial Franchise Fee is in consideration for, among other expenses of Crispy Cones, expenses incurred by Crispy Cones to furnish services to Franchisee and for costs incurred by Crispy Cones, including general sales and marketing expenses, legal, accounting, and other professional fees. The Initial Franchise Fee is fully earned by Crispy Cones upon execution of this Agreement and is non-refundable. Notwithstanding the foregoing, if this Agreement is being executed for a Store that is being developed pursuant to the terms of an area development agreement with Crispy Cones, then the franchise fee has been paid in full and no additional Initial Franchise Fee is due upon execution of this Agreement.

B. **Royalty Fee.** Franchisee agrees to pay Crispy Cones a non-refundable weekly "**Royalty Fee**" equal to 5% of all Gross Sales for the respective calendar week and will provide reports of such Gross Sales as further set forth in Section 14(a). Franchisee's obligation to pay Crispy Cones the Royalty Fee under the terms of this Agreement will remain in full force and effect until this Agreement expires or is terminated in accordance with the provisions stated herein. For purposes of this Agreement, "**Gross Sales**" means the total amount of all revenues received by Franchisee related to the Franchised Business from the sale of goods and services, including, but not limited to, all revenues from sales at the premises and from direct delivery, catering and/or delivery services through third parties, whether for cash or by check, credit card, trade, or otherwise, in connection with such Franchised Business, less customer refunds and returns and any sales tax or any other indirect tax on the supply of goods and services collected from customers and paid to appropriate tax authorities. Gross Sales also excludes revenue derived from selling or issuing system gift or loyalty cards, although revenue Franchisee derives from sales to customers who use such cards for payment will be included in Gross Sales.

C. **Initial Training Fee.** Franchisee must pay to Crispy Cones an initial training fee of \$4,000 for the first two individuals who attend the initial training program to cover the cost of training associated the approved individuals who are required to attend Crispy Cones' initial training program. If more than two approved individuals attend the initial training program, each additional individual must pay Crispy Cones' then-current fee for additional initial training as further set out in Section 7.A. The initial training fee does not cover other expenses incurred in attending the initial training program, including but not limited to, travel, lodging, meals, and salary expenses. The initial training fee is due is fully earned by Crispy Cones upon execution of this Agreement and is non-refundable upon receipt. If more than two individuals

are approved to attend, Franchisee must pay Crispy Cones the additional initial training fees due upon approval of such individuals and such fee is fully earned and non-refundable upon receipt.

D. Technology Fee. Franchisee agrees to pay Crispy Cones or its designated third-party a weekly “Technology Fee” for costs incurred in maintaining Crispy Cones website and investments in technology for brand and system technology improvements. The Technology Fee has not yet been instituted, but Crispy Cones reserves the right, in its sole discretion, to charge and Franchisee agrees to pay, once instituted, the then-current monthly Technology Fee, up to 1% of Gross Sales per month.

E. Non-compliance Fee. Franchisee acknowledges the importance of operating the Franchised Business in full compliance with this Agreement and the System, as may be modified and revised from time to time by Crispy Cones in its sole discretion, and that Franchisee’s deviation from any contractual requirement, including any System standard, is a violation of this Agreement and requires Crispy Cones to incur additional administrative and management costs to address the violation. Franchisee agrees to pay Crispy Cones a fee for each deviation from a contractual requirement, including any System standard, plus Crispy Cones’ actual, reasonable expenses incurred, if applicable (the “Non-Compliance Fee”), pursuant to the following schedule: (i) \$1,000 for unauthorized use/disclosure of Crispy Cones Marks, brand materials, intellectual property, or Confidential Information; unauthorized use of supplier or products; and unauthorized packaging; (ii) \$250 for failure to meet deadlines for new equipment, products, processes, etc.; uncleanliness of Store; using products with poor quality per Crispy Cones standards; and a hygiene/dress code violation; and (iii) \$100 per day per deviation for all other violations. Franchisee acknowledges that each Non-Compliance Fee is a reasonable estimate of Crispy Cones’ administrative and management costs incurred. Non-Compliance Fees are due and payable to Crispy Cones within five days after Crispy Cones notifies Franchisee that Crispy Cones is charging the Non-Compliance Fee due to Franchisee’s violation and bills Franchisee for such fee. Crispy Cones need not give Franchisee an opportunity to cure a violation before charging the Non-Compliance Fee. Charging the Non-Compliance Fee does not preclude Crispy Cones from seeking any other relief available under applicable law, including but not limited to, recovering additional damages not related to Crispy Cones’ additional administrative expenses, defaulting Franchisee and terminating this Agreement, or exercising any of other rights under this Agreement.

F. Interest and Late Fees. If any sum required to be paid by Franchisee to Crispy Cones under this Agreement is not actually received by Crispy Cones by the due date, that sum will bear interest at a rate equal to 10% annually, or the highest rate allowed under applicable law, whichever is less. Additionally, Crispy Cones may charge a late fee of 10% of the past due amount and an additional \$50 late fee for every week thereafter payments remain unpaid. Interest and late fees are due upon receipt of notice from Crispy Cones that such fees are being charged and are in addition to any other rights or remedies that Crispy Cones may have under this Agreement or otherwise.

G. Payment. The Royalty Fees, Technology Fees, and any Ad Fund amounts payable by Franchisee will be paid to Crispy Cones weekly no later than the Tuesday of the following week. Franchisee must also submit by such date all required Gross Sales reports, as further set forth in Section 14.A. All other fees are due as set forth herein, or, if the due date for a sum is not specified in this Agreement, will be due upon receipt of an invoice from Crispy Cones. All fees or other amounts due to Crispy Cones must be paid by electronic funds transfer from Franchisee’s designated bank account on the due date, or by such other method as Crispy Cones may designate, and Franchisee agrees to comply with any payment instructions provided by Crispy Cones. Franchisee authorizes Crispy Cones to initiate debit entries and credit correction entries to Franchisee’s checking, savings, operating or other account for the payment fees or other amounts due from Franchisee under this Agreement or otherwise. Franchisee shall reimburse

Crispy Cones upon receipt of any invoice for any fees incurred due to insufficient funds in Franchisee's designated bank account. Franchisee shall comply with Crispy Cones' procedures and instructions in connection with this direct debit and credit process and sign any document or take any action that may be required to effect this authorization, including completing the form attached hereto as Exhibit G.

H. Application of Payments, No Right to Offset. Regardless of any designation by Franchisee, Crispy Cones has the right to apply any payments by Franchisee to any past due indebtedness for Royalty Fees, Technology Fees, purchases from Crispy Cones or its affiliates, interest or any other indebtedness or amounts owed to Crispy Cones or its affiliates. Franchisee has no right of "offset" and will not withhold payment, for any reason, of any Royalty Fees or any other payment due to Crispy Cones under this Agreement or any other agreement.

I. Reimbursement of Taxes. If any tax or fee other than federal or state income tax is imposed on Crispy Cones by any governmental agency due to Crispy Cones' receipt of fees from Franchisee under this Agreement, then Franchisee agrees to reimburse Crispy Cones or gross up the amount paid to Crispy Cones in an amount sufficient to cover such taxes and related costs and expenses imposed upon or paid by Crispy Cones to ensure that Crispy Cones receives the payment it otherwise would have received if such taxes or fees had not been applicable. Franchisee will make such reimbursement within 10 days after receipt of written notice from Crispy Cones that Crispy Cones is entitled to reimbursement for payment of such taxes and other amounts as set forth herein.

5. **ADVERTISING FEE AND OTHER ADVERTISING EXPENDITURES.** Franchisee understands and acknowledges that the required contributions and expenditures set forth in this Section are required for the consistent messaging and promoting of Crispy Cones products in the Protected Territory and across all other Crispy Cones Stores, whether owned by Crispy Cones or another franchisee.

A. Advertising Fund. Crispy Cones maintains and administers a system-wide advertising fund ("Ad Fund") for all Stores. Franchisee agrees to contribute a non-refundable weekly fee of up to 2% of Gross Sales during the preceding week ("Ad Fund Contribution"). Franchisee agrees to make such payments as set forth in Section 4.G. of this Agreement or as otherwise designated by Crispy Cones. Ad Fund Contributions are non-refundable under any circumstances. The Ad Fund will be maintained and administered as follows:

1. Crispy Cones or its designee has the right to direct all marketing programs and all aspects thereof, including, without limitation, the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee understands and agrees that Crispy Cones' collection and expenditure of Ad Fund Contributions is intended to maximize recognition of the Marks and patronage of all Crispy Cones Stores. Crispy Cones will utilize the Ad Fund Contributions collected to develop advertising and marketing materials and social media programs. Crispy Cones will not be required, does not guaranty and cannot ensure that expenditures of Ad Fund Contributions in or affecting any geographic area will be proportionate or equivalent to the Ad Fund Contributions by Stores operating in that geographic area or that any Store or the Franchised Business will benefit directly or in proportion to its respective Ad Fund Contributions.
2. The Ad Fund, all contributions to the Ad Fund, and any of the Ad Fund's earnings, will, except as otherwise set forth herein, be used exclusively for any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing

advertising, marketing, public relations and/or promotional programs and materials, and any other activities that Crispy Cones believes will enhance the image of the Crispy Cones brand and Stores. These expenses may include, but are not limited to, costs of preparing and conducting marketing and advertising campaigns in any medium, whether digital, print, direct-mail or other; marketing surveys and other public relations activities; employing marketing personnel; the cost of retaining advertising and/or public relations agencies; purchasing promotional items; conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced advertisements or marketing materials; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes, and competitions; engaging mystery shoppers for businesses and their competitors; and providing promotion and other marketing materials and services to Stores. Crispy Cones will have the right to charge the Ad Fund for reasonable administrative costs and overhead incurred in activities reasonably related to the direction and implementation of the Ad Fund and marketing programs for franchisees and the Crispy Cones system, including, but not limited to, the costs of personnel for creating and implementing advertising, merchandising, promotional and marketing programs. The Ad Fund and its earnings will not otherwise inure to Crispy Cones' benefit.

3. Crispy Cones will maintain separate bookkeeping accounts for the Ad Fund, although it is not required to establish a separate bank account for such fees. Upon Franchisee's prior written request made within the first quarter of any calendar year, Crispy Cones will make available to Franchisee no later than 120 days after the end of the calendar year, an annual statement of amounts collected and costs incurred related to the Ad Fund. No independent audit is required in connection with this statement or the Ad Fund Contributions collected. Crispy Cones and its affiliates have no fiduciary obligation to franchisees with respect to the collection and expenditure of Ad Fund Contributions. No part of the Ad Fund or any Ad Fund Contribution will be deemed an asset of Crispy Cones, nor a trust, and Crispy Cones does not assume any fiduciary obligation to Franchisee for maintaining, directing, or administering Ad Fund Contributions or for any other reason.

B. Marketing Materials. Crispy Cones may make available to Franchisee, at Franchisee's expense, marketing plans and promotional materials, including coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct-mail materials, community relations programs, and similar marketing and promotional materials for use in local advertising.

C. Internet Presence. Crispy Cones will provide a specific webpage for the Franchised Business on Crispy Cones' website. Franchisee may not obtain or use a domain name, or develop and operate its own website, social media website, mobile application, or other similar application in connection with the Franchised Business, including, but not limited to, Facebook, Yelp, Twitter, Instagram, Pinterest, TikTok, and YouTube that in any way references the System, the Marks, the Franchised Business or any Store without Crispy Cones' prior written approval, which may be withheld by Crispy Cones in its sole discretion for any or no reason. Any such approval may be thereafter withdrawn, and, if required by Crispy Cones, Franchisee agrees to grant control of any such sites used to Crispy Cones, and Franchisee shall cease operating such site, account, handle, app, or otherwise and shall establish links to such websites as Crispy

Cones may prescribe. All such pages, accounts, or sites and all posts or content must conform with Crispy Cones' social media policy or other policies set forth in the Brand Standards Manual.

D. Gift Cards and Loyalty Programs. Franchisee agrees to participate fully in all national, regional and local gift certificate, gift card, coupon, and/or promotional, stored value card, loyalty and charitable programs, whether physical or electronic, including, without limitation, the then current stored value card, specified from time to time by Crispy Cones, the cost for which shall be borne by Franchisee where applicable and the terms, conditions and procedures of which shall be determined by Crispy Cones from time to time. Franchisee acknowledges and agrees that, to participate in such programs, Crispy Cones may require that Franchisee enter into agreements with service providers mandated by Crispy Cones. Franchisee shall participate in promotional programs developed by Crispy Cones, in the manner directed by Crispy Cones in the Brand Standards Manual or otherwise in writing. Additionally, Franchisee shall sell or otherwise issue gift cards provided or designated by Crispy Cones, and only in the manner specified by Crispy Cones in the Brand Standards Manual or otherwise in writing. Franchisee shall fully honor all gift cards that are in the form provided or approved by Crispy Cones regardless of whether a gift card was issued directly or indirectly by Franchisee, Crispy Cones, or another franchisee. Franchisee shall sell, issue, and redeem gift cards in accordance with procedures and policies specified by Crispy Cones. Franchisee shall purchase or lease, and install, all required fixtures, furniture, furnishings, signs, and equipment, including required computer, point-of-sale, and other electronic information systems and all equipment components and software necessary for Franchisee to accept and process Crispy Cones' gift cards or loyalty cards and participate in Crispy Cones' gift card, loyalty, or similar programs for the Franchised Business. Except as set forth above, Franchisee may not issue other loyalty programs, discounts, punch cards, gift certificates, coupons, or other cash equivalent certificates or devices for use at the Store without the prior written approval of Crispy Cones.

E. Local and Other Advertising by Franchisee. Subject to Crispy Cones' prior written approval, Franchisee may, at any time and at its own expense, develop marketing and promotional materials for use at a local level for the Franchised Business. Additionally, Franchisee must spend at least 1% of its Gross Sales on a monthly basis on local advertising, marketing, and promotional programs. For purposes of this provision local advertising, marketing and promotional programs shall consist only of the direct costs or purchasing and producing marketing materials and those direct out-of-pocket expenses related to costs of marketing and sales promotion spent in Franchisee's local market area, advertising agency fees and expenses, postage, shipping, telephone and photocopying and shall not include costs or expenses incurred in connection with salaries and expenses of employees, including salaries or expenses for attendance at marketing meetings or activities or incentives provided or offered to such employees, including discount coupons; charitable, political, or other contributions or donations; and/or the value of discounts provided to customers. All marketing and promotional material created by Franchisee must comply with Crispy Cones' System and Marks and be approved by Crispy Cones in writing prior to use. Any materials created by Franchisee will be the property of Crispy Cones, subject to Section 3.C.

F. Advertising Cooperatives. Crispy Cones has the right to designate any geographical area for purposes of establishing a regional cooperative advertising fund ("Co-op Fund"). If a Co-op Fund for the geographic area in which the Franchised Business is located has been established at the time Franchisee starts to operate under this Agreement, Franchisee will immediately become a member of such Co-op Fund. If a Co-op Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, Franchisee will become a member of that Co-op Fund within 30 days after the date on which the Co-op Fund commences operation. Under no circumstances will Franchisee be required to be a member of more than one Co-op Fund. If instituted, Franchisee agrees to contribute an amount designated by Crispy Cones that may be up to 2% of the Franchised Business' Gross Sales during the

preceding month to the Co-op Fund. Any amounts paid by Franchisee to a Co-op Fund will reduce the local advertising requirement, if any, under Section 5(e). Crispy Cones will notify all members of a Co-op Fund of the timing and manner of payment for required contributions. Each Co-op Fund will be administered as follows:

1. Each Co-op Fund shall be organized for the exclusive purpose of administering regional marketing programs and developing, subject to Crispy Cones' approval, standardized materials for use by its members and must adopt formal written governing documents, including bylaws, approved by Crispy Cones in writing. The activities of each Co-op Fund shall be decided by majority vote of the members, unless otherwise specified in writing and approved by Crispy Cones. The minutes of all Co-op Fund meetings and all action taken must be submitted to Crispy Cones. Stores operated by Crispy Cones in the region shall have the same voting rights as those operated by franchisees. The owner of each Store shall be entitled to cast one vote for each business owned.
2. No advertising, marketing or promotional plans or materials may be used by a Co-op Fund or furnished to its members without Crispy Cones' prior written approval as set forth in this Section. Each Co-op Fund may be required to engage the services of a professional advertising agency, public relations firm or similar service that has expertise in the market and is approved by Crispy Cones in writing.
3. Although, once established, a Co-op Fund is intended to be of perpetual duration, Crispy Cones maintains the right to terminate any Co-op Fund. The Co-op Fund will not be terminated, however, until all amounts in the Co-op Fund have been expended as set forth herein.

## 6. **SITE SELECTION, DESIGN, PLANS AND CONSTRUCTION.**

A. **Site Selection and Approval.** If the premises for the Franchised Business has not been located by Franchisee and accepted by Crispy Cones prior to execution of this Agreement, it will be the obligation of Franchisee to locate, within 90 days after execution of this Agreement, premises suitable for the operation of the business and acceptable to Crispy Cones. If Franchisee is delayed from locating suitable premises within 75 days, Franchisee must immediately provide Crispy Cones with either a written confirmation that Franchisee will locate suitable premises before the end of the 90-day period or a written request for an extension. If Franchisee is requesting an extension, Franchisee must pay Crispy Cones an extension fee of \$1,000 to cover Crispy Cones' administrative costs related to the request. The request must state that a delay is anticipated, the reasons which caused the delay, the efforts that Franchisee is making to locate suitable premises, and an anticipated date of compliance. In considering the request, Crispy Cones will not unreasonably withhold its consent to a delay, up to a maximum period of 60 days, provided that Franchisee has been earnestly looking for suitable premises. Crispy Cones will not unreasonably withhold acceptance of any premises that meets its minimum standards for demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, median income, competition from other businesses providing similar services or products in the area, proximity to other businesses, any exclusivity granted to other franchises of Crispy Cones, the nature of other businesses in proximity to the premises and other commercial characteristics, and size, appearance and other physical characteristics of the premises. Crispy Cones will give written notice of acceptance or rejection of the proposed site within a reasonable time after receiving Franchisee's written proposal and letter of intent or other evidence satisfactory to Crispy Cones confirming Franchisee's favorable prospects of obtaining the

proposed site. Franchisee acknowledges that Crispy Cones' acceptance of any premises or the provision of any information to Franchisee regarding a potential location does not constitute any assurance that the Franchised Business will be profitable at such premises or more profitable at a particular premises in comparison to other premises. Crispy Cones' acceptance is only an indication that the particular premises meets Crispy Cones' minimum criteria. All leases for the premises of the Franchised Business must be approved by Crispy Cones prior to the signing of any lease and must include the lease addendum attached hereto as Exhibit F. Franchisee must provide Crispy Cones a copy of the signed, approved lease within 15 days of its execution. The premises of the Franchised Business may not be relocated without Crispy Cones' prior written approval.

B. Plans and Design of Premises. Crispy Cones will provide Franchisee a sample layout for the interior of a typical Store. Franchisee must use Crispy Cones' sample plans and must pay the architect that developed such plan the then-current cost for reuse of the plans. Additionally, Franchisee will, at its sole expense, engage architects, designers, engineers, or others, as may be necessary under applicable laws and regulations or otherwise, to complete, adapt, modify, or substitute the sample plans and specification for the premises. Franchisee must submit a complete set of final plans and specifications to Crispy Cones for approval prior to commencement of construction related to the premises. Crispy Cones will promptly approve of such plans or provide comments. Franchisee will use licensed general contractors, designers, and architects as approved by Crispy Cones prior to performing construction work at the premises of the Franchised Business. Crispy Cones will consult with Franchisee, to the extent Crispy Cones deems necessary, on the construction and equipping of the premises, but it will be and remain Franchisee's sole responsibility to diligently design, construct, equip, and otherwise ready the premises.

C. Permits and Licenses. Franchisee will be responsible, at its expense, to secure financing to develop the premises of the Franchised Business, for obtaining all zoning classifications, permits, clearances, certificates of occupancy, and clearances that may be required by governmental authorities, and to construct the premises of the Franchised Business pursuant to all applicable requirements.

D. Equipment, Fixtures, Furniture, and Signs. Franchisee agrees to use in the operation of the Franchised Business only those brands and models of equipment, fixtures, furniture, and signs that Crispy Cones has approved for Stores as part of the System by meeting its specifications and standards. Specifications may include minimum standards for design, appearance, function, performance, serviceability, and warranties. Franchisee further agrees to place or display at the premises of the business (interior and exterior) only the signs, emblems, lettering, logos, and display materials that Crispy Cones approves in writing. Franchisee may purchase approved brands and models of equipment, fixtures, furniture, and signs from any supplier, including Crispy Cones or its affiliated companies, where applicable. If a supplier or desired equipment, fixtures, furniture, or signage is not then approved by Crispy Cones, Franchisee may request approval by following the process set forth in Section 8.C. regarding approval of suppliers of products or alternative products for use in the Franchised Business.

E. Approval of Premises and Opening. Crispy Cones will make a final inspection of the completed premises and may require such corrections and modifications as it deems necessary to bring the premises into compliance with the System and currently approved plans and specifications. The Franchised Business will not be allowed to open: (i) if it does not conform to the plans and specifications approved by Crispy Cones, including changes thereof approved by Crispy Cones; (ii) if pre-opening training has not been completed to Crispy Cones' satisfaction; (iii) if the Initial Franchise Fee has not been paid in full; (iv) the lease for the Authorized Location has not been executed; and (v) if Crispy Cones has not been furnished with copies of all insurance policies required by this Agreement and evidence of the payment of premiums. Failure to meet any of the above obligations, including correction of any unauthorized variance from the

approved plans and specifications promptly may result in the termination of this Agreement. Franchisee agrees to obtain all necessary governmental permits and approval and to open the Franchised Business within seven months after the Effective Date, but if Franchisee is delayed from opening within six months of such date, Franchisee must immediately provide Crispy Cones with either a written confirmation that Franchisee will open before the end of the seven-month period or a written request to delay opening. The request must state that a delay is anticipated, the reasons which caused the delay, the efforts that Franchisee is making to proceed with the opening, and an anticipated opening date. In considering the request, Crispy Cones will not unreasonably withhold its consent to a delay, up to a maximum period of 30 days, provided that Franchisee has been and continues to diligently pursue the opening.

F. **Relocation.** Franchisee may not relocate the premises of the Franchised Business to a new site unless as a result of condemnation, the exercise of a relocation right by Franchisee's landlord or for some other reason approved by Crispy Cones in writing, which Crispy Cones may grant or deny in its sole discretion. Crispy Cones may condition its approval of any proposed relocation request on (i) the new site and its lease being acceptable to Crispy Cones, (ii) Franchisee reimbursing the costs Crispy Cones incurs during the relocation process, including those required to help Franchisee construct and develop the Franchised Business at the new site in full compliance with Crispy Cones' System, (iii) Franchisee confirming that this Agreement remains in effect and governs the operation of the Franchised Business at the new premises with no change in the term or, at Crispy Cones' option, Franchisee signing Crispy Cones' then current form of franchise agreement to govern Franchisee's operation of the Franchised Business at the new premises for a new franchise term, (iv) Franchisee signing a general release, in a form satisfactory to Crispy Cones, of any and all claims against Crispy Cones and its owners, affiliates, officers, directors, employees, and agents (except for Crispy Cones' indemnification obligations herein), (v) Franchisee continuing to operate the Franchised Business at the approved premises until Crispy Cones authorizes its closure, and (vi) Franchisee taking, within the timeframe Crispy Cones specifies and at Franchisee's own expense, all action Crispy Cones requires to de-brand and de-identify the former premises of the Franchised Business so that it no longer is associated or identified in any manner with Crispy Cones or as a Store, including the action specified in Section 18(b) below. All relocations must be complete, and the Store must be open at the new location within 90 days of Crispy Cones' approval of such request or Crispy Cones may in its reasonable discretion terminate this Agreement upon notice to Franchisee.

## 7. **TRAINING AND ASSISTANCE**

A. **Initial Training.** Crispy Cones will provide an initial training program to educate, familiarize, and acquaint Franchisee with all aspects of operating a Crispy Cones Store pursuant to the System. The initial training program will take place at a company-owned Crispy Cones Store in the Rexburg, Idaho area or other location designated by Crispy Cones. Crispy Cones requires two individuals approved by Crispy Cones to attend the full training program and the fee for two individuals is included in the initial training fee. If Franchisee is an entity, and this is the first Crispy Cones franchise to be opened by Franchisee or its affiliates, one approved attendee must be an owner with at least 20% ownership in Franchisee (each such owner meeting the ownership threshold is referred to herein as a "**Principal Owner**"). If the Principal Owner will not manage the day-to-day operation of the Franchised Business, then an approved attendee must also be an approved general manager who will manage the day-to-day operation of the Franchised Business. The period of the training program will be at the discretion of Crispy Cones and will be scheduled by Crispy Cones in its sole discretion. Each attendee shall be required to complete all phases of the training program to Crispy Cones' satisfaction and shall participate in all other activities required to open a Franchised Business. Franchisee will be solely responsible for the compensation, travel, lodging, and living expenses incurred in connection with attendance at such initial training program. Additional individuals beyond the two authorized attendees who attend training separately from the initial

training may attend the initial training program, at Franchisee's request, for an additional fee of Crispy Cones' then-current rates for additional training, which fee shall be set out in the Brand Standards Manual. Payment for additional individuals must be received by Crispy Cones prior to commencement of training. If the Principal Owner or the general manager(s), as applicable, fails to successfully complete the training program, Crispy Cones may terminate this Agreement pursuant to Section 16.A.11. below, provided that if an approved general manager fails training an alternate manager(s) may thereafter complete the training.

B. Opening Assistance. Crispy Cones will assist in scheduling the opening of the Franchised Business. Franchisee will not open business operations of the Franchised Business until Crispy Cones has approved the opening. Around the time of opening, as determined by Crispy Cones, Crispy Cones will provide additional training and opening assistance at the premises of the Franchised Business and make up to three individual representatives of Crispy Cones, as determined by Crispy Cones in its sole discretion, available at such location for a period of two weeks to assist with the preparation for and opening of the Franchised Business. Franchisee agrees to pay Crispy Cones a fee of Crispy Cones' then-current rates for additional training and pay for travel, lodging, and living expenses for up to three of Crispy Cones representatives that conduct the training.

C. Additional Training and Assistance. Crispy Cones shall have the right to require that Franchisee designate management personnel to attend, at Franchisee's cost, additional supplemental and refresher training programs other than the initial training during the term of this Agreement, including without limitation a designated refresher training at least every five years, and to charge a reasonable fee for such training, to be conducted at a time and place reasonably designated by Crispy Cones. Franchisee may request additional training or assistance from Crispy Cones, which Crispy Cones, in its sole discretion, may provide to Franchisee at a time and place designated by Crispy Cones for Crispy Cones' then-current daily fee for the type of training requested, including travel, meals, and lodging expenses incurred by Crispy Cones, or as otherwise agreed by the Parties. Franchisee is responsible for all compensation, travel, lodging, and living expenses incurred by attendees in connection with attendance. Payment for any additional training or assistance is due upon receipt of an invoice from Crispy Cones.

D. Ongoing Assistance. During the operation of Franchisee's business, Crispy Cones will: (i) provide, upon the written request of Franchisee and payment of Crispy Cones' applicable fees, advisory services pertaining to the operation of Franchisee's business; (ii) make available to Franchisee from time to time all changes, improvements and additions to the System to the same extent as made available to other franchisees; (iii) provide Franchisee with all supplements and modifications to the Brand Standards Manual; (v) develop, as Crispy Cones deems necessary, advertising materials available for Franchisee to purchase, as set forth herein.

E. Regional or National Conferences. Crispy Cones may, in its sole discretion, conduct an annual convention or other regional or national conferences for franchisees, for which Franchisee agrees to attend and pay Crispy Cones' then-current per person fee for attendance at any such conference prior to attendance. Franchisee will be responsible for all of costs and expenses incurred by those attending the annual convention, including compensation, travel, lodging and living expenses incurred in connection with attendance. All attendees must be approved by Crispy Cones. Franchisees that do not attend any designated conference will be charged and must pay the fee for attendance of one individual at such conference.

F. Advisory Council. Crispy Cones reserves the right to establish a franchisee advisory council comprised of members elected by franchisees in accordance with an election process prescribed by Crispy Cones as well as members appointed by Crispy Cones. If established, Crispy Cones will consult with this group from time to time, but this council will serve solely in an advisory capacity and will have

no right to bind Crispy Cones in any way. Although, once established, any advisory council is intended to be of perpetual duration, Crispy Cones maintains the right to terminate such council.

## 8. QUALITY CONTROL

A. Products and Quality. Franchisee is required to sell all Crispy Cones' approved Products and will sell only those products and services approved by Crispy Cones in writing. Franchisee must change its menu to include all Products required by Crispy Cones, including, but not limited to, promotional or weekly flavors. Franchisee agrees to promptly add, remove, or modify any such food, beverage or other product or service upon notice from Crispy Cones. Should Crispy Cones approve a new product or item developed by Franchisee as part of the System, all rights in and title to such items shall become Crispy Cones' property as set forth herein. Franchisee is prohibited from selling, leasing, or offering any products or services not authorized by Crispy Cones in writing. Franchisee, in the preparation of items to sell shall use only such ingredients, recipes, formulas and supplies as are specified by Crispy Cones and shall prepare products in such portions, sizes, appearance, and packaging and at such timeframes as are specified by Crispy Cones the Brand Standards Manual or other written instruction or communication. Franchisee will conform to all product quality standards prescribed by Crispy Cones in writing.

B. Sources of Products and Specifications. Franchisee must purchase certain products, inventory, supplies, or items from sources that are designated or approved by Crispy Cones. Franchisee acknowledges and agrees that certain approved supplies may only be available from one approved supplier source, and Crispy Cones or its affiliates may be that source. Other products, inventory supplies, and other items must meet Crispy Cones' specifications and Franchisee may obtain products meeting these specifications from any source carrying them. Crispy Cones will develop and research new products or suppliers as it determines necessary. The required sources and specifications for any products will be outlined in the Brand Standards Manual. **ALTHOUGH APPROVED BY CRISPY CONES, CRISPY CONES MAKES NO WARRANTY AND EXPRESSLY DISCLAIMS ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO PRODUCTS, EQUIPMENT, SUPPLIES, FIXTURES, FURNISHINGS AND OTHER APPROVED ITEMS. FURTHER, CRISPY CONES MAY FROM TIME TO TIME MAKE AVAILABLE TO FRANCHISEE OR REQUIRE FRANCHISEE TO PURCHASE GOODS, PRODUCTS, AND/OR SERVICES FOR USE IN THE FRANCHISED BUSINESS ON THE SALE OF WHICH CRISPY CONES MAY MAKE A PROFIT. CRISPY CONES MAY FROM TIME TO TIME RECEIVE CONSIDERATION FROM SUPPLIERS AND/OR MANUFACTURERS IN RESPECT TO SALES OF GOODS, PRODUCTS, OR SERVICES TO FRANCHISEE OR IN CONSIDERATION OF SERVICES RENDERED OR RIGHTS LICENSED TO SUCH PERSONS. FRANCHISEE AGREES THAT CRISPY CONES IS ENTITLED TO SUCH PROFITS AND/OR CONSIDERATION.**

C. Unapproved Suppliers and Products. If Franchisee desires to purchase or sell any items for which Crispy Cones has designated an approved supplier from an unapproved supplier, or if Franchisee desires to sell products that have not been approved, Franchisee must submit to Crispy Cones a written request for such approval of the supplier or product. Crispy Cones may require Franchisee to submit samples and other data to permit Crispy Cones to ascertain whether any such items meet Crispy Cones' specifications. Crispy Cones will notify Franchisee in writing and within 30 days of receipt of all required information and completion of any testing as to whether such item, equipment or supplies meets Crispy Cones' specifications. Prior to review, Franchisee will be required to pay Crispy Cones' a supplier evaluation fee of \$1,000. A supplier that is able to provide equipment and/or supplies meeting Crispy Cones' specifications may become an approved supplier to the extent designated by Crispy Cones. Crispy Cones may, from time to time, make changes or alterations in the standards and specifications and approved

suppliers and products. At Crispy Cones' discretion, Crispy Cones may revoke approval of an approved supplier or product upon 30 days written notice to Franchisee.

D. Inspections. Crispy Cones may inspect the Franchised Business from time to time to enhance uniformity and quality control. Crispy Cones' personnel or designated agent will have the right to enter the premises of the Franchised Business at any reasonable time and from time to time for the purpose of examination, conferences with Franchisee or its managers, inspection of operations and inventory, auditing, and for all other purposes in connection with the determination that the Franchised Business is being operated in accordance with the System. Franchisee specifically authorizes Crispy Cones personnel or representatives to enter the premises of the Franchised Business as set forth above for such periods of time as Crispy Cones may determine to be necessary at no expense to Franchisee, provided that Crispy Cones' inspections do not unreasonably interfere with the operation of the Franchised Business. Franchisee agrees to remedy any defects, deficiencies, or unsatisfactory conditions discovered at the Franchised Business by Crispy Cones' personnel within a reasonable period of time upon being advised of same.

E. Mystery Shopping Service. Crispy Cones may itself, or through a designee or a third-party secret shopping service, evaluate the operation and quality of the service and Products offered by the Franchised Business, including such things as dessert quality, drink quality, inventory availability, customer service, cleanliness, merchandising, franchise compliance, proper use of point-of-sale and computer systems, and compliance with the System. Crispy Cones may use such service evaluations to inspect the Franchised Business at any time at its expense, without prior notification to Franchisee. Crispy Cones may make the results of any such service evaluation available to Franchisee, in Crispy Cones' sole discretion.

F. Customer Surveys. Franchisee shall participate in all customer surveys and satisfaction audits specified by Crispy Cones, which may require that Franchisee provide discounted or complimentary products, provided that such discounted or complimentary sales shall not be included in the Gross Sales of the Franchised Business. Additionally, Franchisee shall participate in any complaint resolution and other programs as Crispy Cones may reasonably establish, which programs may include, without limitation, providing discounts or refunds to customers. Franchisee further acknowledges that Crispy Cones may directly contact such customers who have lodged complaints and provide certain discounts or refunds on Franchisee behalf, to be reimbursed by Franchisee upon demand.

9. **OPERATION OF THE FRANCHISED BUSINESS.** Franchisee acknowledges and agrees that the operation of the Franchised Business in accordance with the System is the essence of this Agreement and is essential to preserve the goodwill of the Marks and all Stores. Therefore, Franchisee agrees that, at all times during the term of this Agreement, Franchisee will operate the Franchised Business and use the Marks in strict compliance with the System and all standards, operating procedures, specifications, requirements and instructions required of all Crispy Cones franchisees, as set forth in Crispy Cones' operations and brand standards manual for Stores, as may be modified and revised from time to time by Crispy Cones in its sole discretion ("Brand Standards Manual") or any other manuals or communications from Crispy Cones to Crispy Cones franchise system. Crispy Cones will promulgate, and may change, from time to time, the System and such uniform standards of quality and service regarding the business operations of the Franchised Business so as to protect, for the benefit of all franchisees and Crispy Cones, the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and System, and Franchisee agrees that Crispy Cones has the right to do so. Franchisee further agrees to operate the Franchised Business according to the following provisions:

A. Managerial Responsibility. During the term of this Agreement, a Principal Owner or other general manager, who has successfully completed Crispy Cones' initial training program, must personally

manage and operate the Franchised Business. Although such Principal Owner or general manager does not need to physically be at the premises at all times in which the Franchised Business is open to the public, this Principal Owner or general manager must manage the day-to-day operation of the Franchised Business and assure that such operation is in accordance with the System. Such Principal Owner or general manager is responsible for the day-to-day supervision of the Franchised Business and must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments or that otherwise may conflict with such obligations. All individuals with managerial responsibility must sign a non-disclosure and non-competition agreement substantially in the form as the agreement attached as Exhibit D. If Franchisee's approved and trained general manager is terminated or leaves the Store, a Principal Owner who has successfully completed Crispy Cones' initial training program must manage the day-to-day operation of the Franchised Business until another manager has successfully completed the training program.

The Principal Owner or general manager responsible for the day-to-day supervision of the Franchised Business is listed on Exhibit C. Franchisee agrees to immediately notify Crispy Cones if either of these individuals (or any subsequent manager) no longer manages the Franchised Business for any reason and will promptly notify Crispy Cones of the name and contract information for any subsequent Principal Owner or general manager, as applicable, that will assume operation of the day-to-day management of the Franchised Business and, if not already successfully completed, be attending the initial training program.

B. Opening. The Franchised Business shall not open to the public until Crispy Cones has approved of such opening. Franchisee must conduct a grand opening campaign within 30 days of opening for business, both as set forth by Franchisor. Franchisee shall expend at least \$2,000 for the grand opening program. The grand opening shall conform to Crispy Cones' requirements and shall utilize the media and advertising formats designated by Crispy Cones. Crispy Cones has the right to require Franchisee to use Crispy Cones' designated vendor related to the grand opening campaign and/or to submit a grand opening plan that meets Crispy Cones' approval containing details about the grand opening promotion.

C. Pricing. Crispy Cones reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices Franchisee may charge for products and services and Franchisee agrees to abide by any such requirements upon adequate prior notice of at least 30 days.

D. Standards of Service. Franchisee agrees to at all times give prompt, courteous and efficient service to customers and, in all dealings with customers, and suppliers, and the public, adhere to the highest standards of honesty, integrity, and fair dealing, including, but not limited to, all customer service standards prescribed by Crispy Cones in writing.

E. Standardization and Uniformity of Appearance. The design and appearance of the exterior and interior of the Franchised Business, including signage, are part of the System. It is essential to the integrity of the System that as great a degree of uniformity as possible is maintained among the various premises of Stores, both corporate owned and franchised. No material change, addition, or alterations will be made to the premises, layout, or design without the prior written consent of Crispy Cones and only such signs, emblems, logos, lettering, and artwork as may be reasonably prescribed or provided by Crispy Cones from time to time, will be displayed on the premises of the Franchised Business. Franchisee will require its employees present at the premises of the Franchised Business to comply with the dress code, as may be designated by Crispy Cones, and such other programs of standardization as Crispy Cones may from time to time promulgate to promote the common business image and to protect the goodwill associated with the Marks and System. Public telephones, newspaper racks, juke boxes, cigarette, gum and candy machines,

rides, lottery ticket terminals, video games or any other games, or vending or amusement machines shall not be installed at the premises of the Franchised Business without Crispy Cones' prior written consent. In the event that Crispy Cones approves such items, all sums received by Franchisee in connection therewith shall be included in the Gross Sales of the Franchised Business.

F. Brand Standards Manual. In order to protect the reputation and goodwill of Crispy Cones and to maintain uniform operating standards under the Marks and System, Franchisee will conduct their businesses in accordance with Crispy Cones' Brand Standards Manual and other written instructions from Crispy Cones. Crispy Cones will loan, or make available to Franchisee electronically, one copy of Crispy Cones' Brand Standards Manual containing mandatory and suggested specifications, standards and operating procedures prescribed from time to time by Crispy Cones for Stores and information relative to other obligations of Franchisee. Franchisee will treat the Brand Standards Manual as Confidential Information, and will use all reasonable efforts to maintain the Brand Standards Manual as secret and confidential. The Brand Standards Manual will remain the sole property of Crispy Cones. Crispy Cones may from time to time revise the contents of the Brand Standards Manual. With notice and a reasonable time to implement new or changed standards, Franchisee agrees to comply with each new or changed standard. Franchisee will ensure that its copy of the Brand Standards Manual is kept current. In the event of any dispute as to the contents of the Brand Standards Manual, the terms of the master copy of the Brand Standards Manual maintained by Crispy Cones or Crispy Cones' specific instruction in writing will be controlling.

G. Maintenance of Premises. Maintenance and repair of the premises is Franchisee's sole responsibility. Franchisee will maintain all pictures, equipment, decor, furnishings, fixtures, and all other tangible property at the premises in excellent condition and repair and will replace any equipment and fixtures that become obsolete or mechanically impaired to the extent that such equipment or fixtures no longer adequately perform the functions for which they were originally intended. Replacement equipment and fixtures will be of the same type and quality as the System requires at the time the replacement is necessary. All replacement pictures, decor, equipment, and fixtures will comply with the System.

H. Remodel and Upgrades. At Franchisee's expense, Franchisee agrees to repair, refinish, repaint, remodel, modernize, redecorate, or otherwise refurbish the premises of the Franchised Business from time to time as Crispy Cones may reasonably direct to conform to the building design, color schemes and presentation of trade dress, trademarks and service marks consistent with Crispy Cones' then-current public image, including, without limitation, structural changes, remodeling, redecoration of the furnishings and fixtures and décor and such modifications to existing improvements as may be reasonably necessary, such that all Stores may have a generally similar look and appearance.

I. Compliance with Laws. Franchisee will, at its expense, comply with all applicable laws, rules, and regulations pertaining to the operations of a store, the Franchised Business, and all licensing and bonding requirements. If any government approval or permit is required for operation of the Franchised Business, Franchisee will be responsible for securing the same at its expense. Franchisee must comply with all laws and regulations relating to privacy and data protection and must comply with any privacy policies or data protection and breach response policies Crispy Cones may establish. Franchisee must notify Crispy Cones in writing within five days of the commencement of any action, suit, proceeding, or investigation, and of the issuance of any order, injunction, and award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee or the Store. Franchisee must notify Crispy Cones immediately of any suspected data breach at or in connection with the Store. Franchisee will not conduct any business or advertising practice which injures Crispy Cones, the System, or the goodwill associated with the Marks and other Stores.

J. Payment of Liabilities. Franchisee will timely pay all of its obligations and liabilities due and payable related to the Franchised Business, including, but not limited to, all obligations to Crispy Cones, suppliers, lessors and creditors.

K. Personnel. Franchisee will, at all times, have a person designated as a management person on duty who shall be responsible for the business operations of the Franchised Business. Franchisee will employ and maintain a sufficient number of adequately trained and competent employees to provide efficient service to Franchisee's customers and shall require such employees to use their best efforts to maintain customer satisfaction. Franchisee shall be exclusively responsible for all employment decisions of the Franchised Business including the hiring of employees, which must include all terms of employment, compensation, training, and similar labor issues that may be required. Franchisee will indemnify Crispy Cones against any claim brought by any employee of Franchisee.

L. Hours of Operation. The Franchised Business will be open for business at the Authorized Location for such hours as directed by Crispy Cones pursuant to the System. Crispy Cones will also designate in the Brand Standards Manual certain holidays on which the Franchised Business will be closed for business.

M. Point-of-Sale and Computer Systems. Franchisee agrees to contract with and use the point-of-sale and credit card processing services that are designated by the Franchisor. Franchisee agrees to utilize in the Franchised Business any point-of-sale system that may be developed by Crispy Cones as part of the System, including any updates, supplements, changes to, or modifications thereof. Franchisee will enter into any required agreements with the designated suppliers of such systems and pay all fees associated therewith. Franchisee agrees that Franchisor will be allowed to monitor Gross Sales centrally using information submitted through the point-of-sale system. Franchisee must purchase, install, and begin using any required computer hardware and software within 60 days of notice to Franchisee. Franchisee agrees to maintain high-speed internet access necessary to allow Franchisor access to information contained in Franchisee's point-of-sale system.

N. Online Ordering. Franchisee agrees to participate in any online ordering program for takeout, whether provided by Crispy Cones or one or more third parties designated by Crispy Cones. Franchisee agrees to use all required software or other equipment required by Crispy Cones or any such third party necessary to provide the services as designated and as may be updated, supplemented, or changed. Any such software or equipment will be purchased by Franchisee at its own cost. Franchisee understands and acknowledges that any third-party providers may also charge fees or commissions for their services and Franchisee agrees to pay all such costs or fees. Third-party delivery services may not be used by Franchisee, without Crispy Cones' prior written consent, which may be withheld in Crispy Cones' sole discretion.

O. Data Protection. Franchisee shall abide by all applicable laws pertaining to the protection and privacy of information collected or maintained regarding customers or other individuals and shall comply with any standards and policies pertaining to data protection and privacy Crispy Cones may provide from time-to-time, including Payment Card Industry Data Security Standard requirements, as they may change from time to time. Franchisee shall immediately notify Crispy Cones of any actual or suspected data breach or data protection or privacy issues related in any way to the Franchised Business, Crispy Cones or any other Crispy Cones Store or franchisee.

P. Ownership of Data. Crispy Cones may, from time-to-time, specify in the Brand Standards Manual or otherwise in writing information that Franchisee must collect and maintain on the point-of-sale

and/or computer systems installed at the Franchised Business, and Franchisee shall provide to Crispy Cones such reports as Crispy Cones may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Business, and all data created or collected by Franchisee in connection with the Franchised Business, or in connection with Franchisee's operation of the Franchised Business, including without limitation data pertaining to or otherwise concerning the customers, or otherwise provided by Franchisee, including, without limitation, data uploaded to, or downloaded from point-of-sale or computer systems, is and will be owned exclusively by Crispy Cones, and Crispy Cones will have the right to use such data in any manner that it deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Crispy Cones upon request. Crispy Cones hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for use in connection with the Franchised Business as directed and approved by Crispy Cones.

Q. Health and Sanitation. The Franchised Business shall meet and maintain the highest health standards and ratings applicable to the operation of a Store and shall be maintained at all times in compliance with any and all applicable laws and health and sanitary standards prescribed by Crispy Cones and by the local government authorities. Franchisee shall notify Crispy Cones within 24 hours of any investigation or violation, actual or alleged, concerning any health or sanitary laws or regulations and, thereafter, take any actions directed by Crispy Cones or governmental agencies related thereto.

10. CONFIDENTIAL INFORMATION Crispy Cones possesses, and will continue to develop and acquire, certain confidential information, some of which constitutes trade secrets under applicable law (the "Confidential Information"), relating to developing and operating Stores, including, but not limited to, site selection criteria; information regarding products; training and operations materials and manuals including the Brand Standards Manual; recipes, methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Stores; marketing and advertising programs; customer data; knowledge of specifications for and suppliers of products, products and other supplies; any computer software or similar technology which is proprietary to Crispy Cones or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of outlets other than the Franchised Business; and, graphic designs and related intellectual property. Confidential Information does not include information, knowledge, or know-how which Franchisee can demonstrate lawfully came to its attention before Crispy Cones provided it to Franchisee directly or indirectly; which, at the time Crispy Cones disclosed it to Franchisee, already had lawfully become generally known through publication or communication by others without violating an obligation to Crispy Cones; or which, after Crispy Cones discloses it to Franchisee, lawfully becomes generally known through publication or communication by others without violating an obligation to Crispy Cones.

Franchisee acknowledges and agrees that it will not acquire any interest in Confidential Information, other than the right to use it as specified in this Agreement and during this Agreement's term, and that Confidential Information is proprietary, includes Crispy Cones' trade secrets, and is disclosed to Franchisee only on the condition that it agrees, and Franchisee does agree, that it will not use Confidential Information in any other business or capacity; will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement's term and then thereafter for as long as the item is not generally known; will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and, will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, complying with all laws regulations and best practices related to the protection of customer and financial information and restricting its disclosure to employees or other personnel of the Franchised

Business and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. Crispy Cones has the right to regulate the form of agreements that Franchisee uses and to be a third-party beneficiary of those agreements with independent enforcement rights.

11. **INSURANCE.** During the Term of this Agreement, Franchisee will maintain in effect at all times a policy or policies of insurance at levels Crispy Cones directs, which policies and amounts may be revised from time to time in its discretion and upon Crispy Cones providing Franchisee at least 60 days prior written notice. All policies must be with an “A” insurance carrier and name Crispy Cones as an additional insured on the face of each policy at Franchisee’s sole cost and expense. Franchisee shall list the corporate and dba name on all policies. Upon the written request of Crispy Cones, Franchisee shall provide Crispy Cones with copies of the certificates of insurance and policy endorsements for all insurance coverage required by this Section and shall not do anything to invalidate such insurance. The failure to maintain the required insurance policies constitutes a material default under this Agreement, and Crispy Cones may, in its discretion, either terminate this Agreement as set forth herein or procure the required insurance on Franchisee’s behalf. If Crispy Cones procures the required insurance, Franchisee agrees to reimburse Crispy Cones for the cost of such insurance plus an additional 10% administrative fee to cover Crispy Cones costs related to procuring the insurance. The current levels and types of coverage Crispy Cones directs is as follows:

A. **Property Insurance.** Franchisee agrees, at its sole cost and expense, at all times during the term of this Agreement, to keep all of its goods, fixtures, furniture, equipment, and other personal property located at the premises of the Franchised Business insured to the extent of 100% of the full replacement cost against loss or damage from fire and other risks normally insured against in special cause of loss coverage. Franchisee will also maintain business income and extra expense coverage to cover loss of income and extra expense for at least one year.

B. **Liability Insurance.** Franchisee agrees, at its sole cost and expense, at all times during the term of this Agreement, to maintain in force a comprehensive general liability insurance policy or policies, on an occurrence basis, which will name both Crispy Cones and any affiliates as additional insureds on a primary non-contributory basis, insuring against all liability resulting from damage, injury, or death occurring to persons or property in or about the premises of the Franchised Business, including products liability insurance and broad form contractual liability insurance, the limits under such insurance to be not less than \$1,000,000 per occurrence, \$2,000,000 in the aggregate, and \$1,000,000 for property damage and umbrella liability insurance with limits of not less than \$1,000,000.

C. **Workers’ Compensation and Employers Liability Insurance.** Franchisee also agrees to maintain and keep in force all workers’ compensation and employers liability insurance on its employees, if any, in the following amounts:

1. **Workers Compensation:** The amount required under the applicable workers’ compensation laws of the state in which the Franchised Business is located.
2. **Employers Liability:** No less than \$1,000,000 per accident for bodily injury by accident, no less than \$1,000,000 per employee for bodily injury by disease and no less than a \$1,000,000 policy limit for bodily injury by disease.

D. **Automobile Liability.** Franchisee must maintain commercial automobile liability insurance coverage for all owned, rented, leased and/or hired vehicles used by Franchisee in connection

with the operation of the Franchised Business in the amount of \$1,000,000 per occurrence and in the aggregate.

E. Other Insurance Policies. At Franchisees sole cost, Franchisee agrees, at all times during the term of this Agreement, to maintain in force such other and additional insurance policies as a prudent franchisee in its position would maintain or as Crispy Cones reasonably requires.

F. Release of Insured Claims. Franchisee releases and relieves Crispy Cones and its affiliates, and all of its and their officers, directors, shareholders, employees, agents, successors, assigns, contractors, and invitees and waives Franchisees entire right of recovery against Crispy Cones and its affiliates and all of its officers, directors, shareholders, employees, agents, successors, assigns, contractors, and invitees for loss or damage arising out of or incident to the perils required to be insured against under this Section, which perils occur in, on or about the premises of the Franchised Business or relate to the business on the premises, whether due to the negligence of Crispy Cones or its affiliates or Franchisee or any of Crispy Cones' or Franchisee's related parties.

12. RELATIONSHIP OF THE PARTIES. Franchisee understands and agrees that it is and will be an independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment, or fiduciary relationship of any kind. None of Franchisee's employees will be considered to be Crispy Cones' employees. Neither Franchisee nor any of its employees may in any way, directly or indirectly, expressly or by implication, be construed to be Crispy Cones' employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any national, city, state, or federal governmental agency. Crispy Cones will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Crispy Cones' authority under this Agreement to certify certain of its employees for qualification to perform certain functions for the Franchised Business does not directly or indirectly vest in Crispy Cones the power to hire, fire, or control any such employee.

Franchisee acknowledges and agrees, and will never contend otherwise, that Franchisee alone will exercise day-to-day control over all operations, activities and elements of the Franchised Business and that under no circumstance shall Crispy Cones do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications, and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Brand Standards Manual or otherwise, does not directly or indirectly constitute, suggest, infer or imply that Crispy Cones controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitutes standards Franchisee must adhere to when exercising control of the day-to-day operations of the Franchised Business.

Franchisee may not, without Crispy Cones' prior written approval, have any power to obligate Crispy Cones for any expenses, liabilities, or other obligations, other than as specifically provided in this Agreement. Except as expressly provided in this Agreement, Crispy Cones may not control or have access to Franchisee's funds or the expenditures of Franchisee's funds or in any other way exercise dominion or control over the Franchised Business. Except as otherwise expressly authorized by this Agreement, neither Party will make any express or implied agreements, warranties, guaranties, or representations or incur any debt in the name of or on behalf of the other Party or represent that the relationship between the Parties is other than that of franchisor and franchisee. Crispy Cones does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this Agreement. Crispy Cones will not be obligated for any damages to any

person or property which directly or indirectly arise from or relate to the operation of the Franchised Business.

13. **INDEMNIFICATION.** Franchisee will defend, indemnify and hold Crispy Cones and any of its officers, directors, shareholders, agents, members, managers, and employees harmless against any and all losses, liabilities, damages, costs and expenses whatsoever, including reasonable attorneys' fees arising out of or related to (i) the operations of the Franchised Business, whether caused by Franchisee's negligent or willful action or failure to act or otherwise; and (ii) Franchisee's breach of any representation or warranty under this Agreement. Such indemnity shall include all costs reasonably incurred by Crispy Cones in the defense of any such claim brought against it or in any action in which it is named as a party. Crispy Cones will have the right to defend any such claim against it. Crispy Cones will defend, indemnify, and hold Franchisee and any of its officers, directors, shareholders, agents, members, and managers harmless against any and all losses, liabilities, damages, costs, and expenses whatsoever, including reasonable attorneys' fees arising out of (i) representations or warranties of Crispy Cones under this Agreement; or (ii) the gross negligence or willful misconduct of Crispy Cones. Such indemnity shall include costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any action in which it is named as a party, provided that Crispy Cones will have the right to participate in and, to the extent Crispy Cones deems necessary, to control any litigation or proceeding which might result in liability of or expense to Franchisee subject to such indemnification. The indemnities and assumptions of liabilities and obligations set forth in this Agreement will continue in full force and effect subsequent to the expiration or terminations of this Agreement.

14. **SALES REPORTS, FINANCIAL STATEMENTS AND AUDIT RIGHTS**

A. **Sales Reports.** Franchisee will maintain an accurate written and electronic record of daily Gross Sales and if requested by Crispy Cones will remit a signed and verified statement of the weekly Gross Sales and other revenues generated by, at, or from the Franchised Business using such forms and at such times as Crispy Cones may prescribe in writing. Franchisee also agrees to grant Crispy Cones unrestricted access to monitor Franchisee's daily sales using its point-of-sale system and other designated computer systems. Crispy Cones reserves the right to modify or substitute the prescribed forms and impose additional recordkeeping procedures.

B. **Financial Statements.** Franchisee will, at its expense, provide Crispy Cones quarterly and annual financial statements for the Franchised Business and such other financial reports as Crispy Cones specifies. All financial information provided to Crispy Cones under this Section must be presented in the form prescribed from time to time by Crispy Cones in writing. Franchisee will deliver the annual financial statement on or before January 31 of each year for the preceding calendar year.

C. **Audit Rights.** Franchisee will make all of its financial books and records available to Crispy Cones or its designated representative at all reasonable times for review and audit by Crispy Cones or its designee. Franchisee's financial books and records for each fiscal and calendar year will be kept in a secure place by Franchisee and will be available for audit by Crispy Cones for at least six years. If an audit conducted by Crispy Cones results in a determination that the Royalty Fees paid Crispy Cones are deficient (underpaid) by more than 2%, Franchisee will immediately pay Crispy Cones for the reasonable costs and expenses that it has incurred as a result of the audit. Franchisee will also immediately pay Crispy Cones any deficiency in such fee payments as disclosed by such audit or examination, together with interest at the maximum rate specified by law, or in the absence of a maximum rate specified by law, 1.5% per month. If pursuant to audits, the Royalty Fees have been deficient by more than 2% twice or more within any five-

year period or by more than 5% pursuant to any one audit, this will be considered a material breach of this Agreement.

15. **TRANSFERS.** Crispy Cones and Franchisee agree that the following provisions govern any transfer or proposed transfer:

A. **Transfer by Franchisee.** Franchisee acknowledges and agrees that Crispy Cones has entered into this Agreement with specific reliance upon Franchisee's financial qualifications, experience, skills, and managerial qualifications as being essential to the satisfactory operation of the Franchised Business. As a result, neither Franchisee's interest in this Agreement nor in the Franchised Business may be transferred or assigned to or assumed by any other person or entity, in whole or in part, unless Franchisee has first tendered to Crispy Cones the right of first refusal to acquire this Agreement and the Franchised Business in accordance with this Section, and if Crispy Cones does not exercise such right, unless Crispy Cones' prior written consent is obtained, the transfer fee is paid, and the transfer conditions are satisfied. Any sale, including installment sale, lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift, or otherwise, or any arrangement pursuant to which Franchisee turns over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the sale or transfer, directly or indirectly, whether through one or a series of transactions, of 25% or more of the ownership interests in Franchisee or the change in the general partner if Franchisee constitutes a transfer, and Franchisee must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Section.

B. **Consent to Transfer.** Crispy Cones will not unreasonably withhold its consent to transfer, provided that all of the conditions described in this Section have been satisfied. Franchisee must request in writing Crispy Cones' consent to a transfer and tender of the right of first refusal provided for in this Section, which must be accompanied by the documents related to the transfer, including a copy of the proposed purchase or other transfer agreement, and any other required information. Franchisee must immediately notify Crispy Cones of any proposed transfer. Any attempted transfer by Franchisee without Crispy Cones' prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will constitute a material default under this Agreement.

C. **Transfer Fee.** Franchisee must pay to Crispy Cones a transfer fee in the amount of \$3,500. The transfer fee is nonrefundable even if, for any reason, the proposed transfer does not occur.

D. **Conditions of Transfer.** Crispy Cones' consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity is conditioned upon the following:

1. **Assignee Requirements.** The assignee must meet all of Crispy Cones' then-current requirements for franchisees and sign Crispy Cones' then-current form of franchise agreement, including any exhibits, addenda or attachments thereto modified to reflect the term remaining under this Agreement.
2. **Payment of Amounts Owed.** All amounts owed by Franchisee to Crispy Cones, or any of its affiliates, Franchisee's suppliers or any landlord for the premises of the Franchised Business, or upon which Crispy Cones or its affiliates have any contingent liability, must be paid in full.

3. Reports. Franchisee must have provided all required reports to Crispy Cones in accordance with the Franchise Agreement.
4. Modernization. Franchisee must have complied with the provisions of Section 9(h).
5. General Release. Franchisee and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, the Franchised Business or the Parties' business relationship, in the form Crispy Cones designates, releasing Crispy Cones and its affiliates attached hereto as Exhibit H.
6. Training. The assignee must, at Franchisee's or assignee's expense, comply with the training requirements, including any required initial training and the payment of any fees for the provision of such training.
7. Financial Reports and Data. Crispy Cones has the right to require Franchisee to prepare and furnish to assignee and/or Crispy Cones such financial reports and other data relating to the Franchised Business and its operations as Crispy Cones deems reasonably necessary or appropriate for assignee and/or Crispy Cones to evaluate the Franchised Business and the proposed transfer. Franchisee agrees that Crispy Cones has the right to confer with proposed assignees and furnish them with information concerning the Franchised Business and proposed transfer without being held liable to Franchisee, except for intentional misstatements made to an assignee. Any information furnished by Crispy Cones to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Franchised Business and proposed transfer and must not be construed in any manner or form whatsoever as earnings claims or claims of success or failure.
8. Other Conditions. Franchisee must have complied with any other conditions that Crispy Cones reasonably requires from time to time as part of its transfer policies.

E. Death, Disability, or Incapacity. If in the event of a death, disability, or incapacity of Franchisee, or, if Franchisee is a legal entity, of Franchisee's Principal Owner(s), the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as Franchisee or a Principal Owner of Franchisee, such person or entity must request Crispy Cones' consent, pay the applicable transfer fee, and satisfy the transfer conditions under this Section, as in any other case of a proposed transfer, all within 120 days of the death or event of disability or incapacity. The failure to effect an approved transfer within such 120 day period constitutes a material default under this Agreement. During any transition period to an heir or successor-in-interest, the Franchised Business still must be operated in accordance with the terms and conditions of this Agreement. If Crispy Cones is required to run the Franchised Business for a time due to Franchisee's or a Principal Owner's death, incapacity, unexcused absence or as otherwise allowed under this Agreement, Crispy Cones will charge a management fee 3% of the Gross Sales of the Franchised Business during such period, plus its costs of travel, meals, and lodging and Crispy Cones' reasonable overhead expenses related thereto. In addition, Franchisee must continue to pay all Royalty Fees, Ad Fund Contributions, and other fees due under this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to Crispy Cones and Crispy Cones will not have a right of first refusal as set forth in this Section.

F. Right of First Refusal. If Franchisee proposes to transfer or assign this Agreement, its interest herein or in the Franchised Business, in whole or in part, to any third party, including, without

limitation, any transfer related to death, disability, or incapacity or the transfer of an interest in Franchisee as set forth in this Section, Franchisee first must offer to sell to Crispy Cones such interest. In the event of a bona fide offer from a third party, Franchisee must obtain from the third-party offeror and deliver to Crispy Cones a statement in writing, signed by the offeror and by Franchisee, of the terms of the offer. Crispy Cones will then have 30 days from its receipt of the statement setting forth the third-party offer and other requested information to accept the offer by delivering written notice of acceptance to Franchisee. Crispy Cones will have an additional 45 days to complete the purchase if it elects to exercise its right of first refusal. Crispy Cones' acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to Crispy Cones; provided, however, Crispy Cones has the right to substitute equivalent cash for any noncash consideration included in the offer. If Crispy Cones does not accept the offer within the 30-day period, Franchisee will be free for 60 days after such period to effect the transfer described in the statement delivered to Crispy Cones provided such transfer is in accordance with this Section. Franchisee may affect no other sale, assignment, or transfer of Franchisee, this Agreement or the Franchised Business without first offering the same to Crispy Cones in accordance with this Section.

G. Transfer by Crispy Cones. Crispy Cones has the right to sell or assign, in whole or in part, its interest, rights, and obligations in this Agreement. Such assignment will be binding upon and inure to the benefit of Crispy Cones' successors and assigns, and Crispy Cones shall have no further liability under this Agreement. Franchisee shall look solely to the assignee for performance of Crispy Cones' obligations hereunder that have been assigned. Crispy Cones, or its parent company, as applicable, may sell any part of or all of CC Intellectual Property or all, or substantially all, of its assets to a competitive or other entity. In addition, Crispy Cones may go public, engage in a private or other placement of some or all of Crispy Cones' securities, merge, acquire other entities or assets, be acquired by another entity, or undertake any refinancing, leveraged buy-out, or other transaction, including arrangements in which: 1) the territories, retail locations or other facilities are, or are not, converted to the Crispy Cones brand or other format or brand (including using the Crispy Cones franchise system or Marks), or 2) the Crispy Cones brand and franchisees are converted to another format or brand, maintained under a different brand or system. Franchisee expressly specifically waives all claims, demands, and damages with respect to any transaction, or similar transaction, allowed under this Section and any future liability under any of the terms, covenants, or conditions, express or implied, contained in this Agreement. Franchisee must fully cooperate with any such proposal, merger, acquisition, conversion, sale or financing.

## 16. FRANCHISOR'S TERMINATION RIGHTS

A. Grounds. Franchisee will be in default, and Crispy Cones may, at its option, terminate this Agreement, as provided herein, if

1. Franchisee fails to select and receive approval of a site for the premises of the Franchised Business or open and commence operation of the Franchised Business, or otherwise receive an extension as set forth herein, within the required time periods;
2. Franchisee violates any material provision or obligation of this Agreement;
3. Franchisee or any of guarantor, limited liability company managers, directors, officers, or majority owners or shareholders are convicted of, or plead guilty to or no contest to a charge of violating any law which adversely impacts upon the reputation of the Crispy Cones, the Franchised Business or the Crispy Cones brand;

4. Franchisee fails to conform to the material requirements of the System or the material standards of uniformity and quality of the products and services promulgated by Crispy Cones in connection with the System or this Agreement;
5. Franchisee fails to timely pay, as set forth in any applicable agreement or as specified, any of its obligations or liabilities due and owing to Crispy Cones, under this agreement or otherwise, suppliers, banks, other creditors or any governmental unit or agency;
6. Franchisee is insolvent within the meaning of any applicable law;
7. Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors;
8. Franchisee voluntarily or otherwise abandons the Franchised Business by failing to operate the business for five consecutive days during which Franchisee is required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for Crispy Cones to conclude that Franchisee does not intend to continue to operate the Franchised Business;
9. Franchisee is involved in any act or conduct that materially impairs the goodwill associated with the name Crispy Cones or any of the Marks or the System including without limitation the failure to protect the confidentiality of Crispy Cones or customer information;
10. Franchisee breaches any non-competition obligation;
11. Franchisee fails to successfully complete the required training;
12. Franchisee violates any health, safety, or sanitation law, ordinance, or regulation, or operates the Franchised Business in an unsafe manner, and does not begin to cure the violation immediately, and correct the violation within 72 hours, after Franchisee receives notice from Crispy Cones or any other party;
13. Franchisee fails to pay taxes as required under applicable law, including without limitation all employment related taxes, or suffers any federal, state or local tax lien, levy, or suit to enforce the same, brought against Franchisee or Franchisee's property;
14. Franchisee or any of Franchisee's owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of Franchisee's owners otherwise violate any such law, ordinance, or regulation.
15. Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the acquisition of the Store; or
16. Franchisee has violated the terms of any other agreement with Crispy Cones or its affiliated entities or vendors, in which case Franchisee may be cross-defaulted for the existing default of the agreement with the related party.

B. Termination with Notice and No Opportunity to Cure. Crispy Cones may terminate this Agreement immediately upon delivery of written notice to Franchisee, with no opportunity to cure, if the termination results from any of the following:

1. Franchisee fails to comply with one or more material requirements of the Agreement three or more times in any 12-month period;
2. the nature of Franchisee's breach makes it not curable;
3. Franchisee willfully and repeatedly deceives customers relative to the source, nature or quality of goods sold;
4. any default under items 3, 6, 7, 8, 9, 10, 12, 14, 15, or 16 in Section 16.A.; or
5. Franchisee willfully and materially falsifies any report, statement, or other written data furnished to Crispy Cones. Any report submitted pursuant to Section 14 will be conclusively deemed to be materially false if it understates Gross Sales by more than 5%.

C. Termination with Notice and Opportunity to Cure for Failure to Make Payment. Crispy Cones may terminate this Agreement for failure to make payments, as described in Section 16A.5., upon 10 days written notice to Franchisee. If Franchisee does not cure the failure to make payment within such 10 day period, Crispy Cones may terminate this Agreement by providing written notice of such termination to Franchisee.

D. Termination with Notice and Opportunity to Cure. For all other breaches or defaults, Franchisee will have 30 days or the time specified in applicable provision, or such longer period as applicable law may require, after its receipt from Crispy Cones of a written notice of default within which to remedy any default hereunder, and to provide evidence thereof to Crispy Cones. If Franchisee fails to cure the alleged default within that time, or such longer period of time as applicable law may require, this Agreement will terminate without further notice to Franchisee effective immediately upon the expiration of the applicable period, or such longer period as applicable law may require.

17. **FRANCHISEE'S TERMINATION RIGHTS.** Franchisee may terminate this Agreement, as provided herein, if Crispy Cones violates any material obligation of Crispy Cones to Franchisee and fails to cure such violation within 60 days after Crispy Cones' receipt of written notice from Franchisee, or such longer time as may be required due to the nature of the violation; provided, however, that Franchisee must be in substantial compliance with this Agreement at the time of giving such notice of termination. Franchisee's written notice will identify the violation and demand that it be cured.

18. **OBLIGATIONS UPON TERMINATION**

- A. Post Term Duties. If this Agreement expires or is terminated for any reason, Franchisee will:
1. within 10 calendar days after termination, pay all amounts due and owing to Crispy Cones under this Agreement;

2. return to Crispy Cones the Brand Standards Manual and any other manuals and all copies thereof, advertising materials, and all other printed materials pertaining to the operation of the Franchised Business;
3. comply with all other applicable provisions of this Agreement, including the non-compete provisions;
4. immediately cease use of the Crispy Cones name, the Marks, and the System;
5. take all action necessary to assign or transfer to Crispy Cones all rights to use any telephone, facsimile or other numbers, telephone directory listings, email addresses, domain names, website addresses, URLs, internet and website directory listings, social media accounts, web based platform and program accounts, and other media related to the operation of the Store or Franchised Business and provide to Crispy Cones all necessary usernames, passwords, credentials, or other information necessary to operate or access any such accounts; and
6. execute all documents and do all such things as may be necessary to remove the name of Franchisee from any register relating to business names and the Marks which are the property of Crispy Cones, and for this purpose Franchisee appoints Crispy Cones its true and lawful attorney for it and in its name to execute all such documents and do all such things as may be necessary to remove the name of Franchisee.

B. Redecoration. If this Agreement expires or is terminated for any reason, Franchisee will, at its expense, alter, modify, and change both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of Stores. At a minimum, such changes and modifications to the premises will include:

1. repainting the premises with totally different colors;
2. removing all signs and other materials bearing the name Crispy Cones and other Marks;
3. removing from the premises all fixtures which are indicative of Stores;
4. discontinuing use of the approved employee uniforms and refraining from using any uniforms which are confusingly similar; and
5. discontinuing use of all Confidential Information regarding the operation of the Franchised Business.

If Franchisee fails to complete such required modifications or alterations within a reasonable time after expiration or termination, Franchisee agrees that Crispy Cones may enter the premises for the purposes of making such modifications. Franchisee agrees to reimburse Crispy Cones for its reasonable expenses related to such redecoration and modification.

C. Purchase Option. Upon expiration or termination of this Agreement, Franchisee hereby grants to Crispy Cones the right to:

1. acquire, in Crispy Cones' sole discretion, all or any part of Franchisee's inventory, equipment, signs and accessories and other personal property relating to the Franchise at the then-existing fair market value of such item or items as of the date of expiration or termination of this Agreement. If the fair market value is not agreed to by the parties, the fair market value will be established by an independent appraisal. The appraisal shall be done at Crispy Cones' expense by an appraiser selected by Crispy Cones. No goodwill shall be considered associated with the Franchised Business or said items. Crispy Cones must exercise this option within 45 days of such expiration or termination by giving Franchisee written notice of its intent to exercise this option to purchase. Unless otherwise agreed by Franchisee, the purchase price as determined hereunder shall be paid in cash within the option period. If Crispy Cones has not notified Franchisee of its election to exercise this option within the aforesaid period, it shall be conclusively presumed that Crispy Cones has elected not to exercise its option and Franchisee is then free to sell or transfer such assets to any person or entity on such terms as Franchisee may so choose.
2. Take over the lease for the premises of the Franchised Business pursuant to the consent to lease assignment attached hereto as Exhibit F.

The purchase contract for such assets and contracts, as set forth in this Section, shall include standard representations, warranties, covenants, and indemnities from Franchisee as to the assets and contracts being purchased, including without limitation, warranties of good title, absence of liens, compliance with laws, absence of defaults under contracts, litigation and tax compliance. Crispy Cones has no obligation to pay for goodwill or other intangible assets or costs of the Franchised Business.

D. Liquidated Damages. Upon early termination of this Agreement by Crispy Cones according to its terms and conditions or Franchisee's termination of this Agreement with cause, Franchisee agrees to pay Crispy Cones within 30 days after termination, in addition to the amounts otherwise owed to Crispy Cones related to operations or activities prior to such termination, liquidated damages equal to the sum of accrued Royalty Fees during the immediately preceding 24 full calendar months, plus any applicable taxes assessed on such payment. If the remaining term of this Agreement is less than 24 months, the number of previous months Royalty Fees is reduced to the number of months remaining in the term of this Agreement. Crispy Cones and Franchisee agree that actual damages upon termination as set forth above will be difficult or impossible to ascertain and that these liquidated damages are a reasonable, good faith estimate of those damages and are not a penalty. Payment of liquidated damages shall be in addition to Crispy Cones' other rights in this Agreement.

19. **FRANCHISEE'S COVENANTS NOT TO COMPETE**

A. During Term. Franchisee and, if Franchisee is an entity, all owners, shareholders, partners or members owning, directly or indirectly, a beneficial ownership interest in Franchisee, and all spouses and immediate family members of such individuals, will not, during the term of this Agreement, on their own account or as an employee, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, license, conduct, engage in, be connected with, have any interest in, or assist any person or entity that operates a restaurant, retail outlet, store or other food service business (other than a Crispy Cones Store operated pursuant to a franchise agreement with Crispy Cones) which offers or sells ice cream, smoothies, fresh or frozen yogurt or other frozen desserts or similar items as primary or featured items; for which the sale of such items (either individually or in the aggregate) accounts for at least 10% of its sales during any calendar month; or is

otherwise the same as, similar to, or in competition, directly or indirectly, with Crispy Cones Stores (“Competitive Business”) where such non-competition provisions are enforceable, except with the prior written consent of Crispy Cones. Franchisee may not circumvent, avoid or bypass Crispy Cones in any manner, directly or indirectly, to avoid payment of fees, royalties, or any other obligation in any way involving any of the parties or direct customers or potential customers to any competing business of Stores.

B. Post Termination. Except as authorized by Crispy Cones in writing prior to termination or expiration of this Agreement, Franchisee and, if Franchisee is an entity, all owners, shareholders, partners or members owning, directly or indirectly, a beneficial ownership interest in Franchisee, and all spouses and immediate family members of such individuals, will not, for a period of two years after the expiration or termination of this Agreement, except for a termination as a result of a Crispy Cones’ breach, on their own account or as an employee, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership, or corporation, own, operate, lease, franchise, license, conduct, engage in, be connected with, have any interest in or assist any person or entity that operates a Competitive Business which is located within 25 miles of an existing Store and only in jurisdictions where such non-competition provisions are enforceable; provided, however, Franchisee may continue to operate any Store for which Franchisee is in good standing pursuant to a separate, effective franchise agreement with Crispy Cones. Franchisee expressly agrees that the two-year period and the geographic restrictions, where enforceable, are the reasonable and necessary time and distance needed to protect Crispy Cones if this Agreement expires or is terminated for any reason. Franchisee agrees that the length of time in above will be tolled for any period during which Franchisee is in breach of the covenants or any other period during which Crispy Cones seeks to enforce this Agreement. The Parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

C. Enforcement. Franchisee shall cause all individuals with managerial responsibility for the Franchised Business and all owners of Franchisee, if Franchisee is an entity, who have not executed a personal guaranty of the obligations in this Agreement to execute a non-competition and non-disclosure agreement substantially in the form set forth on Exhibit D and shall provide such agreement to Crispy Cones. Franchisee shall also cause all employees with access to Confidential Information to execute a non-disclosure and non-competition agreement with protections similar to those set forth in Exhibit D but appropriate as to time and scope for such employee’s duties. Notwithstanding anything in this Section, neither Franchisee nor its owners shall be precluded from ownership of securities in a company if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2% percent or less of the class of securities. Franchisee agrees that damages alone cannot adequately compensate Crispy Cones if there is a violation of these noncompetitive covenants, and that injunctive relief is essential for the protection of Crispy Cones. Franchisee therefore agrees that in case of any alleged breach or violation of this Section by it, Crispy Cones may seek injunctive relief without posting any bond or security, in addition to all other remedies that may be available to Crispy Cones in equity or law.

## 20. ARBITRATION, ENFORCEMENT AND DAMAGES

A. Arbitration. Except to the extent Crispy Cones elects to enforce the provisions of this Agreement by judicial process and injunction as specifically provided for herein, all disputes, claims, and controversies between the Parties arising under or in connection with this Agreement or the making, performance or interpretation thereof, including, but not limited to, claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter, must be settled, upon demand and written notice by either Party by a single mutually acceptable arbitrator who has had at least five years of experience in the area of franchising or trademark licensing. If the Parties are unable to agree upon a single arbitrator, any Party may request that the American Arbitration Association appoint such arbitrator. The proceedings

will be conducted in accordance with the commercial arbitration rules of the American Arbitration Association to the extent such rules are not inconsistent with the provisions of this arbitration provision. The arbitration proceedings will take place in Madison County, Idaho. The decision of the arbitrator will be in writing and final and binding on all Parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, Franchisee and Crispy Cones will fully perform their respective obligations under this Agreement.

B. Additional Proceedings. If, after Crispy Cones or Franchisee institutes an arbitration proceeding, one or the other asserts a claim, counterclaim or defense, the subject matter of which, under statute or current judicial decision is non-arbitrable for public policy reasons, the Party against whom the claim, counterclaim or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims or defenses or to proceed to litigate all claims, counter claims or defenses in a court having competent jurisdiction.

C. Injunctive Relief. Notwithstanding the other provisions of this Section, Franchisee recognizes that the failure of a single franchisee to comply with the terms of its Agreement could cause irreparable damage to Crispy Cones, its corporate owned locations, other franchisees in the system, and all Stores. Crispy Cones and Franchisee therefore agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by Franchisee or in the event of any conduct by Franchisee which is illegal or is dishonest or misleading to Franchisee's customers or prospective customers, may impair the goodwill associated with the Marks, may reveal Confidential Information, or relates to the non-competition covenants herein, Crispy Cones may seek an injunction restraining such breach or a decree of specific performance in any court of competent jurisdiction, without showing or proving any actual damage, until such time as a final and binding determination is made by the arbitrator. The foregoing equitable remedy will be in addition to, and not in lieu of, all other remedies or rights that Crispy Cones might otherwise have by virtue of any breach of this Agreement by Franchisee.

D. Attorneys' Fees. In the event any action in law or equity or any arbitration or other proceeding is brought for the enforcement of this Agreement or in connection with any of the provisions of this Agreement, the successful or prevailing Party or Parties shall be entitled to reasonable attorneys' fees and other costs reasonably incurred in such action or proceeding.

E. Waiver of Trial by Jury. TO THE EXTENT THAT EACH PARTY MAY LAWFULLY DO SO, FRANCHISEE AND FRANCHISOR BOTH WAIVE THEIR RIGHT TO A TRIAL BY JURY IN ANY ACTION THAT MAY BE BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED IN CONNECTION HEREWITH.

F. Consequential or Punitive Damages. IN NO EVENT WILL FRANCHISOR BE LIABLE TO FRANCHISEE FOR CONSEQUENTIAL OR PUNITIVE DAMAGES IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT; ANY BREACH, TERMINATION, CANCELLATION OR NON-RENEWAL OF THIS AGREEMENT; OR IN ANY OTHER ACTION OR PROCEEDING WHATSOEVER BETWEEN THE PARTIES AND/OR ANY OF THEIR AFFILIATES. FRANCHISEE HEREBY WAIVES AND COVENANTS NEVER TO ADVANCE ANY SUCH CLAIM FOR CONSEQUENTIAL OR PUNITIVE DAMAGES.

## 21. GUARANTY

If Franchisee is a partnership, corporation, a limited liability company or other business entity, personal guaranties shall be required from all shareholders, partners or members owning, directly or indirectly, at least 5% of the beneficial ownership interest in Franchisee. Franchisee shall provide to Crispy Cones a list of all such owners as of the Effective Date by completing Exhibit C and shall provide to Crispy Cones as soon as reasonably possible after a change of ownership any updates to the ownership that occur during the term of this Agreement. Nothing in the paragraph shall be construed to limit the application of the transfer provisions under this Agreement or Franchisee's obligation to comply with such provisions. The required personal guaranties for each such owner must be executed on Crispy Cones' standard form Guaranty attached hereto as Exhibit E concurrently with the execution of this Agreement or at such time such owner becomes an owner of Franchisee. Crispy Cones may also require the spouse of any such owner to execute the Guaranty. If Franchisee is in breach or default under this Agreement, Crispy Cones may proceed directly against each such individual and/or entity guarantor without first proceeding against Franchisee and without proceeding against or naming in the suit any other such individuals and/or entities. Franchisee's obligations and those of each such individual and/or entity will be joint and several. Notice to or demand upon one such individual and/or entity will be considered notice to or demand upon Franchisee and all such individuals and/or entities and no notice or demand need be made to or upon all such individuals and/or entities. The cessation of or release from liability of Franchisee or any such individual and/or entity guarantor will not relieve any other individual and/or entity from liability under this Agreement, except to the extent that the breach or default has been remedied or money owed has been paid.

## 22. MISCELLANEOUS

A. Severability. All provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by Crispy Cones is invalid or unenforceable, the prior notice or other action required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable. Such modifications to this Agreement will be effective only in such jurisdiction and will be enforced as originally made and entered into in all other jurisdictions. If an invalid or unenforceable provision is deemed by Crispy Cones to be an essential term of this Agreement, Crispy Cones shall have the option of terminating the Agreement with immediate effect by providing written notice to Franchisee.

B. Waiver; Amendment. No waiver by Crispy Cones of any breach by Franchisee, nor any delay or failure by Crispy Cones to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce Crispy Cones' rights with respect to that or any other subsequent breach. Subject to Crispy Cones' rights to modify the Brand Standards Manuals, System and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by both Parties.

C. Cumulative Rights. The rights of Crispy Cones and Franchisee hereunder are cumulative and no exercise or enforcement by Crispy Cones or Franchisee of any right or remedy hereunder will

preclude the exercise or enforcement by Crispy Cones or Franchisee of any other right or remedy hereunder or which Crispy Cones or Franchisee is entitled by law to enforce.

D. Governing Law; Forum; Limitation Period. This Agreement will be governed by the laws of the State of Idaho, without regard to its conflicts of law principles. Subject to Section 20 hereof, forum for any action shall be exclusively in the United States District Court for the District of Idaho, or, if such court does not have subject matter jurisdiction, the courts of the State of Idaho sitting in Madison County, and any appellate court from any thereof. In connection therewith, each Party hereby agrees to submit to the jurisdiction of such courts and to waive any possible defense of forum non conveniens and/or lack of personal jurisdiction before such court. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Crispy Cones, or Franchisee's operations, brought by either Party hereto against the other, must be commenced within one calendar year of the occurrence of the facts giving rise to such claim or the action shall be barred.

E. Binding Effect. This Agreement is binding upon the Parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

F. Consents. Whenever a Party's consent or approval is required under this Agreement, such consent or approval will not be unreasonably withheld or delayed.

G. Headings; Construction. The headings and table of contents used herein are for purposes of convenience only and will not be used in constructing the provisions hereof. As used herein, the male gender will include the female and neuter genders, the singular will include the plural, and the plural, the singular. If Franchisee consists of more than one individual, all individuals will be bound jointly and severally by the provisions of this Agreement.

H. Entire Agreement. This Agreement together with the Brand Standards Manual and all exhibits, addenda and appendices hereto constitute the entire agreement between the Parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Crispy Cones made in the Disclosure Document furnished to Franchisee. Franchisee acknowledges that it is entering into this Agreement as a result of its own independent investigation of the Franchised Business and not as a result of any representations about Crispy Cones made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

I. Force Majeure. In the event of any failure of performance of this Agreement according to its terms by any Party, except the timely payment of fees to Crispy Cones, the same shall not be deemed a breach of this Agreement if it arose from causes beyond the control of and without the fault or negligence of said Party. Such causes include, but are not limited to, acts of God, actions of the elements, lockouts, strikes, wars, riots, civil commotion, and acts of the government except as otherwise provided for in this Agreement. If the cause of the Force Majeure continues for more than 90 calendar days, the Party not claiming the Force Majeure as a basis for non-performance may terminate this Agreement with immediate effect by providing notice to the other Party.

23. **NOTICES**

All notices, requests, demands, payments, consents, and other communications hereunder will be transmitted in writing and sent by registered or certified United States mail, postage prepaid, or by overnight commercial courier to the following address or such other address as designated in writing pursuant to this Section:

**FRANCHISOR:** Crispy Cones Franchising, LLC  
Attn: Jeremy Carlson  
3878 Jake Way, Suite 101  
Rexburg, ID 83440

With copy to:

Kirton McConkie  
50 E. South Temple #400  
Salt Lake City, UT 84111  
Attn: Dan Purdie

**FRANCHISEE:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any notice will be deemed to have been duly given upon receipt, or, in the case of refusal to accept delivery or inability to deliver through no fault of the delivering Party, the earlier of (i) the date of the attempted delivery or inability to deliver through no fault of the delivering Party; (ii) the delivery date of the return receipt; or (iii) the date of the receipt of notice of refusal or notice of non-delivery by the sending Party.

24. **SPECIFIC REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS.** 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.

A. **Correct Information.** All information submitted to Crispy Cones in connection with Franchisee’s request to enter into this Agreement was complete and accurate when made. There have been no material changes in that information or other changes in material circumstances with respect to Franchisee between the time of the submittals and the date of signing this Agreement.

\_\_\_\_\_  
Initials

B. **Other Franchises.** Franchisee acknowledges that other franchisees of Crispy Cones may be granted franchises at different times and in different situations, and further acknowledges that the provisions of such franchise agreements may vary substantially from those contained in this Agreement.

\_\_\_\_\_  
Initials

C. Notice of Potential Franchisor Profit. Crispy Cones hereby advises Franchisee that Crispy Cones or its affiliates may from time to time make available or require Franchisee to purchase goods, products and/or services for use in Franchised Business, the sale of which Crispy Cones or its affiliates may make a profit. Crispy Cones further advises Franchisee that Crispy Cones or its affiliates may from time to time receive consideration from suppliers and/or manufacturers in respect to sales of goods, products or services to Franchisee or in consideration of services rendered or rights franchised to such person. The consideration may or may not be related to the services performed. Franchisee agrees that Crispy Cones or its affiliates shall be entitled to such profits and/or consideration.

\_\_\_\_\_  
Initials

D. Uniformity. Complete and detailed uniformity among Crispy Cones franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agrees that Crispy Cones in its sole and absolute right, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. It further agrees that Crispy Cones will have no obligation to disclose or offer the same or similar variances to Franchisee. It is aware that other Crispy Cones franchisees may operate under different agreements, and, consequently, that Crispy Cones' obligations and rights as to those franchisees may differ materially in certain circumstances.

\_\_\_\_\_  
Initials

E. No Payment. Franchisee acknowledges it has made no payment to Crispy Cones before the execution of this Agreement.

\_\_\_\_\_  
Initials

F. Franchise Disclosure Document. Franchisee acknowledges it has received a Franchise Disclosure Document at least fourteen (14) calendar days before entering into a binding agreement with or making any payment to Crispy Cones and signed a receipt page indicating the day Franchisee received the Franchise Disclosure Document

\_\_\_\_\_  
Initials

*[Signature page to follow]*

IN WITNESS WHEREOF, the Parties enter into this Agreement as of the Effective Date.

**FRANCHISOR**

CRISPY CONES FRANCHISING, LLC

**FRANCHISEE**

\_\_\_\_\_

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

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

\_\_\_\_\_

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

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

**EXHIBIT A**

**PROTECTED TERRITORY AND AUTHORIZED LOCATION**

**Crispy Cones:** Crispy Cones Franchising, LLC

**Franchisee:**

1. Pursuant to Section 1.B. of the Franchise Agreement, Crispy Cones and Franchisee hereby acknowledge and agree that the below listed address is the Authorized Location for Store to be opened pursuant to the Franchise Agreement.

**Authorized Location:**

2. Pursuant to Section 1.C. of the Franchise Agreement, Crispy Cones and Franchisee hereby agree that the Protected Territory for the Store to be opened pursuant to the Franchise Agreement is defined by the following geographical boundaries as the exist as of the Effective Date:

**FRANCHISOR**

CRISPY CONES FRANCHISING, LLC

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

**FRANCHISEE**

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

**EXHIBIT B**

**ACKNOWLEDGEMENT OF OPENING**

**Crispy Cones:** Crispy Cones Franchising, LLC

**Franchisee:**

**Authorized Location:**

Franchisee hereby acknowledges and agrees that the Crispy Cones Store at the Authorized Location listed above opened for business on \_\_\_\_\_ (the “Opening Date”). Accordingly, the initial term of the Franchise Agreement shall expire ten (10) years from the Opening Date

**FRANCHISEE**

\_\_\_\_\_

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

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

**EXHIBIT C**

**ENTITY OWNERSHIP ADDENDUM**

1. Entity Owners. If Franchisee is an entity, Franchisee represents and warrants to Crispy Cones that each shareholder owning directly or beneficially 5% or more of any class of securities of the entity; and general partner or co-venturer in the entity; any partner in a limited liability partnership or member in a limited liability company owning directly or beneficially 5% or more of the ownership interest in the entity; the trustees or administrators of any trust or estate; and any beneficiary of a trust or estate owning, directly or beneficially, 5% or more of the interest in the trust or estate ("Entity Owners") are listed below. If an Entity Owner is itself an entity, the term "Entity Owner" also includes Entity Owners in the entity. Entity Owners are as follows:

<u>NAME</u>	<u>ADDRESS</u>	<u>PERCENTAGE OF INTEREST</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

2. Change. Franchisee agrees to immediately notify Crispy Cones in writing of any change in the information contained in this Addendum and, at Crispy Cones' request, prepare and sign a new Addendum containing the correct information.

3. Principal Owner. Franchisee's Principal Owner responsible for the day-to-day supervision of the Franchised Business is \_\_\_\_\_.

4. Date of Addendum. The date of this Addendum is \_\_\_\_\_, 20\_\_.

**FRANCHISEE**

\_\_\_\_\_

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

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

## EXHIBIT D

### NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (this “Agreement”) is entered into and made effective as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”) and the undersigned individual (“Individual”) in favor of Crispy Cones Franchising, LLC, an Idaho limited liability company, and its successors and assigns (the “Company”).

WHEREAS, Franchisee has acquired the right from the Company to: (i) establish and operate a Crispy Cones Store (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks and the Company’s unique system relating to the establishment and operation of Crispy Cones stores (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion; and

WHEREAS, Individual will be provided with access to certain information regarding the Franchised Business and the System, including Confidential Information (as defined below) in connection with Individual being a [*INSERT TITLE/ROLE WITH FRANCHISEE*] of Franchisee.

NOW, THEREFORE, in consideration of Individual’s position with Franchisee, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, Individual and Franchisee agree as follows:

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential operations manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Brand Standards Manual”); the System; customer data and customer lists; site selection criteria; information regarding products; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Crispy Cones stores; marketing and advertising programs; knowledge of specifications for and suppliers of products, products and other supplies; any computer software or similar technology which is proprietary to the Company or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of outlets other than the Franchised Business; and, graphic designs and related intellectual property (collectively, the “Confidential Information”). Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.
2. As [*INSERT TITLE WITH RESPECT TO FRANCHISEE*] of Franchisee, the Company and Franchisee will disclose the Confidential Information to Individual, which may include furnishing to Individual the training program and subsequent ongoing training, the Brand Standards Manual, and other general assistance while Individual maintains such position with Franchisee.

3. Individual acknowledges and agrees that he/she will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.
4. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to Individual solely on the condition that Individual agrees, and Individual does hereby agree, that he/she shall hold in strict confidence the Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, Individual will disclose and/or use the Confidential Information only in connection with his/her duties as [INSERT TITLE] of Franchisee, and will continue not to disclose any such information even after Individual ceases to be in that position and will not use any such information even after Individual ceases to be in that position unless Individual can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee, or any agent, representative, employee or other party related to Franchisee, under the Franchise Agreement. Nothing in this Agreement shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. Individual shall promptly provide written notice of any such order to Franchisee.
5. Individual will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.
6. Except as otherwise approved in writing by the Company, Individual shall not, while in his/her position with Franchisee, for his/her self, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that engages in or grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more entity that offers or sells ice cream, smoothies, fresh or frozen yogurt or other frozen desserts or similar items as primary or featured items; for which the sale of such items (either individually or in the aggregate) accounts for at least 10% of its sales during any calendar month; or is otherwise the same as, similar to, or in competition, directly or indirectly, with Crispy Cones Stores (collectively, a “Competing Business”). Individual also agrees that he/she will not undertake any action to divert business from the Franchised Business or any other Crispy Cones Store to any Competing Business, or solicit any of the former customers or employees of the Company, Franchisee or any other franchisee of the Company for any competitive business purpose.
7. In the event Individual is a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then Individual further agrees that he/she will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of Individual’s position with Franchisee for any reason: (i) at or within a 25 miles of the location of the Franchised Business; or (ii) within 25 miles of any other Crispy Cones Store that exists at the time Individual’s position with Franchisee ceases through the date of Individual’s involvement with the Competing Business. Individual also agrees that he/she will not undertake any action to divert business from the Franchised Business or any other Crispy Cones Store to any Competing Business or solicit any of the former customers or employees of the Company,

Franchisee or any other franchisee of the Company for any competitive business during this two year period following the termination or expiration of Individual's employment with Franchisee. Notwithstanding the foregoing, Individual shall not be precluded from ownership of securities in a company if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2% percent or less of the class of securities.

8. Individual agrees 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 Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, Individual 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 were separately stated in and made a part of this Agreement.
9. Individual understands and acknowledges that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without Individual's consent, effective immediately upon receipt by Individual of written notice thereof; and Individual agrees to comply forthwith with any covenant as so modified.
10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. Individual is aware that his/her violation of this Agreement will cause the Company and Franchisee irreparable harm; therefore, Individual acknowledges and agrees that Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. Individual agrees to pay Franchisee and the Company all costs incurred, including, without limitation, legal fees, and expenses, if this Agreement is enforced against Individual. Due to the importance of this Agreement to Franchisee and the Company, any claim Individual has against Franchisee or the Company is a separate matter and does not entitle Individual to violate, or justify any violation of this Agreement.
11. Individual shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.
12. Franchisee shall make all commercially reasonable efforts to ensure that Individual acts as required by this Agreement.
13. Any failure by Franchisee to object to or take action with respect to any breach of this Agreement by Individual shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Individual.
14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [STATE], WITHOUT REGARD TO ITS CONFLICTS OF LAW PRINCIPLES. INDIVIDUAL HEREBY IRREVOCABLY SUBMITS HIMSELF/HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE OF [STATE], COUNTY OF [COUNTY]. INDIVIDUAL HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. INDIVIDUAL HEREBY AGREES THAT

SERVICE OF PROCESS MAY BE MADE UPON INDIVIDUAL IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED UNDER APPLICABLE LAW. INDIVIDUAL FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISEE OR THE COMPANY MAY BRING SUCH ACTION IN ANY COURT OF COMPETENT JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisee or the Company. 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 Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisee or the Company is a part, Individual expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.
16. Except with respect to any franchise agreement of the Company to which Individual has guaranteed any obligations, this Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. Except as otherwise specifically set forth herein, this Agreement may be modified only by a duly authorized writing executed by all parties.
17. If Individual violates any of the terms of the restrictive covenant obligations in this Agreement, the obligation at issue will begin to run from the first date on which Individual ceases to be in violation of the obligation/the restriction period for all such restrictions shall automatically be extended by the period Individual was in violation of such obligation.
18. All notices, requests, demands, payments, consents, and other communications hereunder will be transmitted in writing and sent by registered or certified United States mail, postage prepaid, or by overnight commercial courier to the following address or such other address as designated in writing pursuant to this Section:

If to Franchisee:

\_\_\_\_\_

Attn: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

If to Individual, at the address set forth in the signature block.

Any notice will be deemed to have been duly given upon receipt, or, in the case of refusal to accept delivery or inability to deliver through no fault of the delivering party, the earlier of (i) the date of

the attempted delivery or inability to deliver through no fault of the delivering party; (ii) the delivery date of the return receipt; or (iii) the date of the receipt of notice of refusal or notice of non-delivery by the sending party.

19. The rights and remedies of Franchisee under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns. Individual may not assign this Agreement or any part hereof. Any purported assignment by Individual shall be null and void from the initial date of purported assignment.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the date first set forth above.

**INDIVIDUAL**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

Address: \_\_\_\_\_

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

\_\_\_\_\_

## EXHIBIT E

### GUARANTY

In consideration of, and as an inducement to, the execution of a Crispy Cones Franchise Agreement between Crispy Cones Franchising, LLC (“Crispy Cones”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Franchise Agreement”), and for other good and valuable consideration, each of the undersigned for themselves, their heirs, legal representatives, successors and assigns (collectively the “Guarantors”) do hereby unconditionally, individually, jointly and severally guaranty to Crispy Cones, and to its successors and assigns, the full, complete and timely payment and performance of each and all of the terms, covenants and conditions of the Franchise Agreement, and any modification or amendment to the Franchise Agreement, to be kept and performed by Franchisee during the term of the Franchise Agreement, including without limitation the payment of all fees and charges accruing pursuant to the Franchise Agreement.

Each of the Guarantors further agrees as follows:

1. The Guarantors, individually, jointly, and severally, shall be personally bound by each and every condition and term contained in the Franchise Agreement as though each of the Guarantors had executed a franchise agreement containing the identical terms and conditions of the Franchise Agreement, including without limitation the provisions relating to Confidential Information and covenants not to compete. This Guaranty shall continue in favor of Crispy Cones notwithstanding any extension, modification, or alteration of the Franchise Agreement, and notwithstanding any assignment of the Franchise Agreement, with or without Crispy Cones’ consent. No extension, modification, alteration, or assignment of the Franchise Agreement shall in any manner release or discharge the Guarantors, and each of the Guarantors consents to any such extension, modification, alteration or assignment.
2. This Guaranty will continue unchanged by the occurrence of any event of insolvency with respect to Franchisee or any assignee or successor of Franchisee or by any disaffirmance or abandonment of the Franchise Agreement by a trustee in bankruptcy of Franchisee. Each Guarantor’s obligation to make payment or render performance in accordance with the terms of this Guaranty and any remedy for the enforcement of this Guaranty will not be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.
3. Each Guarantor’s liability under this Guaranty is primary and independent of the liability of Franchisee and any other Guarantors. Each Guarantor waives any right to require Crispy Cones to proceed against any other person or to proceed against or exhaust any security held by Crispy Cones at any time or to pursue any right of action accruing to Crispy Cones under the Franchise Agreement. Crispy Cones may proceed against each Guarantor and Franchisee, jointly and severally or may, at its option, proceed against each Guarantor without having commenced any action, or having obtained any judgment, against Franchisee or any other Guarantor. Each Guarantor waives the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed pursuant to this Guaranty.

4. The Guarantors unconditionally, individually, jointly and severally agree to pay all attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of this Guaranty or in any negotiations relative to the obligations guaranteed or in enforcing this Guaranty against Franchisee.

5. Each Guarantor waives notice of any demand by Crispy Cones, any notice of default in the payment of any amounts contained or reserved in the Franchise Agreement, or any other notice of default under the Franchise Agreement. Each Guarantor expressly agrees that the validity of this Guaranty and its obligations shall in no way be terminated, affected or impaired by reason of any waiver by Crispy Cones, or its successors or assigns, or the failure of Crispy Cones to enforce any of the terms, covenants or conditions of the Franchise Agreement or this Guaranty, or the granting of any indulgence or extension of time to Franchisee, all of which may be given or done without notice to the Guarantors.

6. This Guaranty shall extend, in full force and effect, to any assignee or successor of Crispy Cones and shall be binding upon the Guarantors and each of their respective successors and assigns.

7. Until all obligations of Franchisee to Crispy Cones have been paid or satisfied in full, the Guarantors have no remedy or right of subrogation and each Guarantor waives any right to enforce any remedy which Crispy Cones has or may in the future have against Franchisee and any benefit of, and any right to participate in, and security now or in the future held by Crispy Cones.

8. All existing and future indebtedness of Franchisee to each Guarantor is hereby subordinated to all indebtedness and other obligations guaranteed in this Guaranty and, without the prior written consent of Crispy Cones, shall not be paid in whole or in part, nor will any Guarantor accept any payment of or on account of any such indebtedness while this Guaranty is in effect.

9. This Guaranty shall be construed in accordance with the laws of the State of Idaho, without giving effect to its conflict of laws principles.

**GUARANTORS:**

\_\_\_\_\_  
Individually

\_\_\_\_\_  
Individually

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

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

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Telephone

## EXHIBIT F

### LEASE ADDENDUM

This Lease Addendum (this “Addendum”) made and entered into this \_\_\_ day of \_\_\_\_\_ 20\_\_\_, and is attached to and made a part of that certain Lease Agreement by and between \_\_\_\_\_, a \_\_\_\_\_ having its principal offices at \_\_\_\_\_ (“Landlord”), and \_\_\_\_\_, a \_\_\_\_\_ having its principal office at \_\_\_\_\_ (“Tenant”).

WHEREAS, the Landlord and the Tenant have entered into a certain lease agreement concurrently herewith (the “Lease”) for the premises having an address of \_\_\_\_\_, as more particularly described in the Lease (the “Leased Premises”) for use by the Tenant as business to be opened pursuant to certain proprietary marks and system in connection with a written Franchise Agreement by and between Crispy Cones Franchising, LLC (hereinafter referred to as “Crispy Cones”) and Tenant (the “Franchise Agreement”); and

WHEREAS, a condition to the approval of the Tenant’s specific location by Crispy Cones is that the Lease for the Leased Premises designated for the operation of a Crispy Cones Store contains the provisions set forth herein.

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration which is acknowledged by the parties hereto, Tenant and Landlord agree as follows:

1. During the term of the Lease, including renewals, if any, the Leased Premises shall not be used for any purpose other than the operation of a Crispy Cones store.
2. Landlord and Tenant grant to Crispy Cones the exclusive right, exercisable at the option of Crispy Cones, to take assignment of and assume all rights, title and interest of Tenant in and to the Lease and the Leased Premises:
  - a. on the termination of the Franchise Agreement;
  - b. on the sale, transfer or assignment of the business licensed pursuant to the Franchise Agreement;
  - c. on the commencement of eviction or termination proceedings by the Landlord against Tenant; or
  - d. on cessation of the use of the Leased Premises as a Crispy Cones store.

Crispy Cones must give written notice to Landlord of its intent to exercise this option within thirty (30) days after the event triggering the option. If Crispy Cones timely exercises its option, the Lease and all rights, title and interest of Tenant under the Lease and to the Leased Premises will be automatically, and without need of further documentation, assigned to Crispy Cones and assumed by Crispy Cones (or an entity to be formed and controlled by Crispy Cones, provided Crispy Cones guaranties the full performance of the Lease by such entity in such form as Landlord may reasonably require). If Crispy Cones does not give notice exercising its assignment option within

the thirty (30) day period, Crispy Cones will be deemed to have forfeited its rights under this Section. Upon Crispy Cones' written request, Landlord and Tenant agree to execute documents acceptable to Landlord in its reasonable discretion confirming this assignment and assumption in form acceptable to Landlord in its reasonable discretion, including a short form of Assignment and Assumption of Lease suitable for recording. If Crispy Cones takes assignment of the Lease pursuant to this Section, Crispy Cones shall be deemed to have assumed all obligations of Tenant under the Lease, and shall be obligated to cure any default in existence on the date of such assignment and assumption (the "Assumption Date") within the timeframe set forth in the Lease for curing such default after the Assumption Date. Landlord may rely upon any notice from Crispy Cones that Crispy Cones has assumed the Lease, notwithstanding any claim to the contrary or contesting Crispy Cones' right to assume the Lease by Tenant, and, as a condition of the assumption, Crispy Cones agrees to indemnify and hold harmless Landlord from any and all claims, losses, damages, costs and expenses, including reasonable attorneys' fees, incurred by Landlord as a result of any claim by Tenant as a result of Crispy Cones' exercise of this assumption right.

3. If Crispy Cones takes assignment and assumption of the Lease and the Leased Premises, Crispy Cones may subsequently grant a franchise at the Leased Premises to another Crispy Cones franchisee and may assign the Lease to a new Crispy Cones franchisee, provided that Crispy Cones notifies the Landlord of such assignment, and Crispy Cones and the new franchisee execute an assignment and assumption of lease agreement in form acceptable to Landlord in its reasonable discretion. Crispy Cones shall remain liable under the Lease notwithstanding such assignment and assumption unless the new franchisee has a tangible net worth at least equivalent to the tangible net worth of Tenant on this effective date of this Lease as reasonably determined by Landlord or Landlord, in its sole discretion, agrees in writing to release Crispy Cones from liability. Landlord shall permit the assignment of the Lease and Leased Premises to said franchisee without the payment of any fee or other cost requirement. The parties agree to execute any commercially reasonable documents in furtherance of this Section.
4. During the Lease Term, Landlord and Tenant grant to Crispy Cones the right to enter the Leased Premises upon reasonable notice during regular business hours to:
  - a. inspect and audit Tenant's business;
  - b. make any modifications necessary to protect Crispy Cones trademarks, provided such modifications are made in accordance with the terms of the Lease; or
  - c. remove all Crispy Cones signage, trademarked items and other related materials, provided such removal is done in accordance with the terms of the Lease.
5. Landlord will endeavor to give Crispy Cones written notice of any Tenant default under the Lease, and Landlord further agrees that it will not terminate the Lease or evict Tenant from the Premises unless it has given Crispy Cones written notice of the Tenant default and Crispy Cones has had the time period after Crispy Cones' receipt of such notice provided for the curing of such default under the Lease before Landlord may exercise such remedy. Landlord acknowledges and understands that by curing Tenant's default, Crispy Cones does not assume and Landlord shall not hold it responsible for any liabilities of Tenant unless Crispy Cones assumes the Lease as provided in Section 2 herein. All notices directed to Crispy Cones shall be sent to:

Crispy Cones Franchising, LLC  
Attn: Jeremy Carlson  
3878 Jake Way, Suite 101  
Rexburg, ID 83440

6. In the event of a conflict between the terms of this Addendum and the terms of the Lease, the terms of this Addendum shall control.
7. Landlord and Tenant agree not to amend the Lease in any respect, except with the prior written consent of Crispy Cones.
8. If Landlord has a lien on Tenant's equipment and inventory (the "Collateral") pursuant to either, statute, common law or the terms of the Lease, such lien shall be subordinate to Crispy Cones' interest in the Collateral pursuant to the terms of the Franchise Agreement, and Landlord shall give Crispy Cones at least ten (10) business days' prior written notice before commencing any action to enforce such lien against the Collateral.
9. Any approvals or consents required by Landlord under this Addendum shall not be unreasonably withheld.

Dated this \_\_ day of \_\_\_\_\_, 20\_\_.

**LANDLORD:**

**TENANT:**

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

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

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

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

**FRANCHISOR:**

CRISPY CONES FRANCHISING, LLC

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

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

**EXHIBIT G**

**DIRECT PAYMENT AUTHORIZATION**

\_\_\_\_\_ (“Franchisee”) hereby authorizes Crispy Cones Franchising, LLC (“Crispy Cones”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) designated below with the depository institution designated below (“Bank”). Franchisee agrees that ACH transaction it authorizes comply with all applicable law.

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

Account Owner: \_\_\_\_\_

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

Address: \_\_\_\_\_

City:    State:    Zip: \_\_\_\_\_

Routing # (9 digits): \_\_\_\_\_

Account #: \_\_\_\_\_

THIS AUTHORIZATION SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL TERMINATED IN WRITING BY FRANCHISEE. FRANCHISEE UNDERSTANDS FRANCHISOR AND BANK REQUIRE A REASONABLE AMOUNT OF TIME TO ACT ON SUCH A TERMINATION REQUEST AND FRANCHISEE AGREES SUCH TIME MAY BE UP TO 14 DAYS AFTER RECEIPT OF NOTICE. NOTICE SHOULD BE PROVIDED TO CRISPY CONES PURSUANT TO THE NOTICE PROVISION IN ITS FRANCHISE AGREEMENT WITH CRISPY CONES. Franchisee shall provide Crispy Cones a voided check from the above-referenced account in conjunction with this authorization.

**FRANCHISEE**

\_\_\_\_\_

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

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

## EXHIBIT H

### GENERAL RELEASE AGREEMENT

This GENERAL RELEASE AGREEMENT (this “Release”) is entered into and made effective as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”), each individual holding an ownership interest in Franchisee (collectively with Franchisee, the “Releasor”) and Crispy Cones Franchising, LLC, a Idaho limited liability company, and its successors and assigns (“Crispy Cones”). Crispy Cones and Releasor are each sometimes referred to herein as a “Party” or collectively as the “Parties”.

WHEREAS, Crispy Cones and Franchisee have entered into a Franchise Agreement (the “Franchise Agreement”) pursuant to which Franchisee was granted the right to own and operate a Crispy Cones Store (the “Franchised Business”);

WHEREAS, Franchisee has notified Crispy Cones of its desire to transfer or sell and assign an ownership interest in the Franchised Business (as defined in the Franchise Agreement) at the Approved Location (as defined in the Franchise Agreement) and all rights related thereto, to a third party in accordance with the transfer provisions of the Franchise Agreement, and Crispy Cones has consented to such transfer and agreed to enter into a successor franchise agreement; [or WHEREAS, Franchisee has notified Crispy Cones of its desire to renew] and

WHEREAS, as a condition to Crispy Cones’ consent to the transfer under the Franchise Agreement [or renewal of Franchisee’s ability to enter into a successor franchise agreement], Releasor and transferee has agreed to execute this Release upon the terms and conditions stated below;

NOW, THEREFORE, in consideration of Crispy Cones’ consent to the transfer [Crispy Cones entering into a successor franchise agreement], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Each Releasor severally represents and warrants that such party is duly authorized to enter into this Release and to perform the terms and obligations in this Release, and has not assigned, transferred or otherwise conveyed, either voluntarily or by operation of law, any of its rights or claims against Crispy Cones or any of the rights, claims or obligations being terminated, released or waived hereunder.
2. Release of Crispy Cones. Releasor and any subsidiaries, affiliates, parents, divisions, successors and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Crispy Cones, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution, performance, default, assignment and

termination of the Franchise Agreement and the offer and sale of the franchise related thereto. The Parties intend that this Release shall include, without limitation, claims, demands and causes of action arising out of alleged misrepresentations of any kind or nature whatsoever, alleged breaches of contract (based upon implied, express, estoppel, waiver or alternative theories of contractual obligation), or breach of any alleged special, trust, agency or fiduciary relationship, whether asserted or proposed to be asserted by way of claim, setoff, affirmative defense, counterclaim, cross-claim or third party claim. The Releasors have been made aware of, and understand, the provisions of California Civil Code Section 1542 (“Section 1542”), which provides: “**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.**” The Releasors expressly, knowingly, and intentionally waive any and all rights, benefits, and protections of Section 1542 and of any other state or federal statute or common law principle limiting the scope of a general release.

3. Confidentiality. Each Party hereto and their respective counsel, representatives and agents agrees that they will not disclose any of the terms of this Release. The parties and their respective counsel, representatives and agents are not, however, precluded from disclosing the terms of the Release to their attorneys, accountants, tax preparers paid financial advisors or any governmental, regulatory or judicial authority which might compel the disclosure of this Release. Notwithstanding the foregoing, if any of the parties is served with a subpoena or other governmental or judicial process seeking to compel the disclosure of this Release, it shall be the responsibility of the Party that receives the subpoena or other governmental or judicial process to promptly notify all other parties to this Release with sufficient time to afford the other parties to this Release an opportunity to move to quash the subpoena or oppose the entry of any order seeking to compel the disclosure of this Release. Additionally, in the event it becomes necessary to file this Release with a court in any future enforcement action between the parties, the parties hereby agree to apply jointly for leave to file this Release under seal.
4. Miscellaneous.
  - a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred. Releasor understands how this Release will affect Releasor’s legal rights and voluntarily enter into this Release with such knowledge and understanding.
  - b. This Release shall be construed and governed by the laws of the State of Idaho. The parties hereby consent and waive all objections to the non-exclusive personal jurisdiction of, and venue, in the United States District Court for the District of Idaho and Idaho state courts situated in Madison County, Idaho for the purposes of all cases and controversies involving this Release and its enforcement, and the Franchise Agreement.
  - c. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorney fees.

- d. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.
- e. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties.
- f. This Release may be executed in multiple counterparts, as may be required, and it shall not be necessary that the signatures on behalf of each Party appear on one or more of the counterparts. All counterparts shall be deemed an original and all of which together shall constitute but one and the same document.
- g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.
- h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

*[Signature page to follow]*

IN WITNESS WHEREOF, this Release is made and entered into by the Parties as of the date first set forth above.

**FRANCHISEE**

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

**INDIVIDUAL RELEASORS**

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

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

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

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

**CRISPY CONES FRANCHISING, LLC**

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

**EXHIBIT C**  
**AREA DEVELOPMENT AGREEMENT**

# AREA DEVELOPMENT AGREEMENT

Between

**CRISPY CONES FRANCHISING, LLC**  
an Idaho limited liability company

and

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

Date of Area Development Agreement

\_\_\_\_\_

**CRISPY CONES FRANCHISING, LLC**

**AREA DEVELOPMENT AGREEMENT**

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## AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this “Agreement”) is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_ (the “Effective Date”) by and between Crispy Cones Franchising, LLC, an Idaho limited liability company, with its principal business address at 3878 Jake Way, Suite 101, Rexburg, ID 83440 (“Crispy Cones”), and \_\_\_\_\_, a \_\_\_\_\_, with its principal address is \_\_\_\_\_ (“Developer”). Developer and Crispy Cones may be referred to herein individually as a “Party” or collectively as the “Parties.”

WHEREAS, Crispy Cones is in the business of granting to qualified individuals or entities, franchises (each a “Franchise”) for the rights to operate a Crispy Cones™ branded store (a “Crispy Cones Store”) using Crispy Cones’ registered and unregistered trademarks, and other trademarks, trade names, service marks, trademarks, logos, emblems, and the like that Crispy Cones authorizes from time to time (the “Marks”) and its system for the operation of a dessert and sweet treats store offering European-style gourmet soft serve ice cream and fruit cones, in addition to other related food and beverage items authorized by Crispy Cones (the “System”). Crispy Cones grants each Franchise solely pursuant to a written franchise agreement signed by both Parties (each a “Franchise Agreement”);

WHEREAS, Crispy Cones may also grant, in its sole discretion, the right to acquire multiple Franchises for the development and operation of Crispy Cones Stores within a defined geographic area (the “Development Area”) pursuant to an agreed upon schedule (the “Development Schedule”); and

WHEREAS, Developer desires to acquire and develop multiple Franchises and Crispy Cones agrees to grant such rights under the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the representations, warranties, and covenants in this Agreement and subject to this Agreement, the Parties agree as follows:

### 1. GRANT OF DEVELOPMENT RIGHTS; TERM

a. Development Rights. Subject to the limitations set forth in this Agreement, Crispy Cones hereby grants to Developer the right, and Developer accepts and undertakes the obligation, to acquire Franchises and develop and operate multiple Crispy Cones Stores (the “Development Rights”) within the Development Area and in strict compliance with the Development Schedule, both as set forth in Exhibit A. The Development Rights are limited to the rights to acquire Franchises in accordance with this Agreement and the Development Schedule. The rights to develop and operate each individual Franchise and to use Crispy Cones’ Marks are granted only pursuant to individual Franchise Agreements.

b. Term. Except as otherwise provided in this Agreement, the Development Rights shall commence on the Effective Date and continue until the earlier of: (i) the date on which the last Crispy Cones Store listed on the Development Schedule is open for regular business, or (ii) the last day listed on the Development Schedule (the “Term”). Developer shall have no right to renew or extend the Term or the rights herein granted.

c. Development Area. Provided that Developer is in full compliance with this Agreement, each Franchise Agreement, and all other agreements with Crispy Cones, Crispy Cones will not, during the Term, establish, operate, or license any other party to establish or operate a Crispy Cones Store within the Development Area, as outlined in Exhibit A. Developer will not receive any exclusive rights or Development Area regarding soliciting customers. Except as provided above, Developer may face competition from other franchisees or other channels of distribution.

d. **Reservation of Rights.** Crispy Cones reserves all rights that it does not grant to Developer and it is not restricted in any manner from engaging in any business activity whatsoever that is not expressly prohibited by this Agreement or any Franchise Agreement. For example, and without limiting the foregoing, Crispy Cones reserves the right to: (i) own and operate, and authorize others to own and operate Crispy Cones Stores outside the Development Area or within the Development Area after the Term; (ii) the use of its name, to promote Crispy Cones Stores branded services and to sell Crispy Cones branded products over the internet and other means of electronic communication that are developed in the future, whether inside or outside of the Development Area; (iii) establish, in the future, whether inside or outside of the Development Area, other franchises or company-owned outlets to conduct a similar program or to sell similar services or products under a different trademark, or to do so through a different channel of distribution; (iv) acquire the assets or ownership interests of businesses, whether inside or outside of the Development Area; (v) be acquired or become controlled by any other business, whether inside or outside of the Development Area; (vi) operate or grant any third party, whether inside or outside of the Development Area, the right to operate any Crispy Cones Stores that Crispy Cones or Crispy Cones' designees acquire as a result of the exercise of a right of first refusal or purchase right under this Agreement or any Franchise Agreement. This Agreement does not give Developer any right to franchise, license, subfranchise, or sublicense others to operate Crispy Cones Stores. Only Developer (and/or approved affiliated entities) may construct, develop, open, and operate Crispy Cones Stores pursuant to this Agreement. This Agreement also does not give Developer (or Developer's affiliated entities) any independent right to use the Crispy Cones' Marks or other intellectual property. The right to use the Marks is granted only under a Franchise Agreement signed directly with us. This Agreement only grants Developer potential Development Rights if Developer complies with its terms.

## 2. **DEVELOPER DUTIES**

a. **Best Efforts; No Delegation.** At all times during the Term of this Agreement, Developer shall use its best and continuing efforts to exercise the Development Rights in strict compliance with this Agreement and with the Development Schedule outlined in Exhibit A. Developer may not subcontract or delegate any of its obligations under this Agreement to any third parties.

b. **Business Entity.** If Developer is a corporation, partnership, limited liability company, or other form of business entity, Developer agrees and represents that:

(1) Developer's owners and their interests in Developer as of the Effective Date are set forth on Exhibit B; and

(2) Developer will designate, in writing, an individual with at least 20% ownership in Developer (the "**Managing Developer**") using Exhibit B. The Managing Developer must be approved by Crispy Cones and must have the authority to deal with Crispy Cones on Developer's behalf in all matters arising under or relating to this Agreement. Crispy Cones is not obligated to discuss this Agreement or the Development Rights with any of Developer's owners or managers other than the Managing Developer.

## 3. **EXERCISE OF DEVELOPMENT RIGHTS**

a. **Execution of Franchise Agreements.** Simultaneously with the execution of this Agreement, Developer must sign and deliver to Crispy Cones a Franchise Agreement for the first Franchise that Developer is obligated to acquire under the Development Schedule. For each subsequent Franchise, prior to signing a lease or contract for the location, but subsequent to Developer's receipt of Crispy Cones' then current franchise disclosure document and the passage of the mandatory minimum waiting period,

Developer must sign Crispy Cones' then-current franchise agreement, which may include terms materially different from, and that may be less favorable to Developer than the franchise agreement in effect on the Effective Date of this Agreement. If Developer's owners establish a new legal entity to operate one or more of the Crispy Cones Stores to be developed pursuant to this Agreement and that new legal entity's ownership is completely identical to Developer's ownership, that legal entity automatically will be considered an "approved affiliated entity" without further action. However, if the new legal entity's ownership is not completely identical to Developer's ownership, Developer first must seek our approval to allow that new entity to operate the proposed Crispy Cones Store.

b. Site Selection and Consent to Develop. Developer is responsible for providing Crispy Cones with the information it requests, including the information required under Developer's individual Franchise Agreements, for each site Developer proposes for a Crispy Cones Store. Crispy Cones' consent to develop a site is not a guarantee or representation of any kind of Developer's success at any particular location and Developer accepts all risk pertaining to the decision of where to locate Developer's Crispy Cones Stores.

c. Development Schedule. Developer agrees to comply with the Development Schedule, as set forth in Exhibit A to this Agreement.

(1) Crispy Cones does not make any representations with regard to the number of Crispy Cones Stores that the Development Area can support or with regard to the number of suitable sites for Crispy Cones Stores within the Development Area. Developer must conduct its own independent investigation to determine whether Developer can satisfy the terms of the Development Schedule.

(2) Crispy Cones will determine whether Developer has met the development obligations under this Agreement based on the number of Crispy Cones Stores that are open for business and operating in the regular course of business as of each date listed on the Development Schedule as described on Exhibit A. For purposes of the Development Schedule, the number of Crispy Cones Stores operating must be operated pursuant to a fully signed and effective Franchise Agreement and a fully paid fee, with all operations in compliance with the applicable Franchise Agreement.

(3) DEVELOPER ACKNOWLEDGES AND AGREES THAT TIME IS OF THE ESSENCE UNDER THIS AGREEMENT AND THAT ITS RIGHTS UNDER THIS AGREEMENT ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF IT DOES NOT COMPLY STRICTLY WITH THE DEVELOPMENT SCHEDULE AND OTHER OBLIGATIONS PROVIDED HEREIN. CRISPY CONES MAY ENFORCE THIS AGREEMENT STRICTLY.

#### 4. **REPORTING AND RECORD KEEPING**

a. Business Plan. Upon request from Crispy Cones, Developer may be required to submit to Crispy Cones a business plan showing, Developer's projected revenues, costs, staffing, and operations in exercising the Development Rights.

b. Financial Statements.

(1) Annual Statements. Upon request, Developer shall deliver to Crispy Cones, within 30 days after the close of each calendar year during the Term of this Agreement, an annual profit

and loss statement, a statement regarding the source and use of funds, and a balance sheet that include all of its activities.

(2) **Purposes/Other Reports.** These reports will be requested for benchmarking purposes and to allow Crispy Cones to provide greater details in its later franchise disclosure documents should Crispy Cones ever opt to provide financial performance representations to future potential franchisees and/or area developers. Developer shall also submit to Crispy Cones such other financial and non-financial reports and information as Crispy Cones may request from time to time. These statements and reports shall be certified as true and correct by Developer and shall be in the form and format that Crispy Cones reasonably specifies.

c. **Disclosure.** Crispy Cones may be required by law, regulation or other legal requirement, or may deem it advisable, to disclose information regarding Developer or its operations, including without limitation, earnings or other financial performance information. Developer agrees that Crispy Cones shall be entitled to disclose such information and that Crispy Cones shall have the right to determine the extent and manner in which such disclosure will be made. If Crispy Cones does not have the information necessary for the disclosure Crispy Cones determines it will make, Developer agrees to provide such information to Crispy Cones promptly upon its request.

5. **FEES.** In consideration of the rights granted in this Agreement, upon execution Developer shall pay to Crispy Cones a non-refundable development fee based on the number of Crispy Cones Stores that Developer agrees to develop according to the following schedule: \$35,000 for the first Store, \$30,000 for each additional Store thereafter (the “**Development Fee**”). Developer agrees to pay a Development Fee of \$ \_\_\_\_\_ for the right to operate \_\_\_\_\_ Crispy Cones Stores, as further set forth herein. This Development Fee is fully earned by Crispy Cones upon execution of this Agreement and is not refundable in part or in whole, even if Developer chooses not to ultimately develop the number of Crispy Cones Stores outlined in the Development Schedule. This Development Fee is in place of the initial franchise fee that would otherwise be due under each Franchise Agreement and no additional initial franchise fee will be due to Crispy Cones upon execution of each Franchise Agreement entered into to meet the Development Schedule.

## 6. **CONFIDENTIAL INFORMATION**

a. **Confidential Information.** All information that Crispy Cones furnishes to Developer, whether orally or in writing, including, without limitation, this Agreement, any Franchise Agreement, the recipes, system, methods, techniques, formulas, formats, specifications, standards, material, curriculum documents, lesson plans, training material, marketing materials, audiovisual components, emails, handouts, sources and suppliers of equipment, procedures, know-how, information, trade secrets, methods of business management, appraisal methods, customer data, sales and promotion techniques, plans, specifications, knowledge of and experience in franchise operation, or any other forms of business information, whether or not marked as confidential, shall be considered confidential (collectively, the “**Confidential Information**”). Developer acknowledges and agrees that the Confidential Information is proprietary, includes Crispy Cones’ trade secrets, and Developer (and its shareholders, partners, members and managers, if Developer is a business entity) agrees that Developer: (i) shall not use the Confidential Information in any other business or capacity other than to the extent necessary to exercise the Development Rights or as permitted under the Franchise Agreements; (ii) shall not disclose, reveal or share the Confidential Information, except to its employees or contractors who have a need to know such Confidential Information for purposes of this Agreement and who are under a duty of confidentiality no less restrictive than its obligations hereunder, or to entities or individuals specifically authorized by Crispy Cones in advance; and (iii) shall adopt and implement all procedures prescribed from time to time by Crispy Cones to prevent

unauthorized use or disclosure of the Confidential Information, including without limitation complying with all laws regulations and best practices related to the protection of customer and financial information. All Confidential Information is and will remain Crispy Cones' sole property. Developer agrees to return to Crispy Cones or destroy, at its election, all Confidential Information in its possession or control and permanently erase all electronic copies of such Confidential Information promptly upon Crispy Cones' request or upon termination of this Agreement, whichever comes first, and, at its request, will provide written certification that Developer has complied with this obligation.

7. **TERMINATION**. The following provisions are in addition to and not in limitation of any other rights and remedies Crispy Cones may have at law or in equity, all of which are expressly reserved. The exercise by Crispy Cones of any right or remedy shall not be deemed an election of remedies.

a. **With Notice and No Opportunity to Cure**. This Agreement shall immediately terminate on delivery of notice of termination to Developer upon the occurrence of any of the following events, each of which is deemed to be an incurable breach of this Agreement and each of which is deemed to be "good cause." If Developer (or any of its owners, if Developer is a business entity):

(1) becomes insolvent or admit in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, files a petition under any foreign, state or United States bankruptcy act, receivership statute, or the like or if such a petition is filed by a third party, or if an application for a receiver is made by anyone and such petition or application is not resolved favorably to Developer within 90 days;

(2) fails to comply with the Development Schedule and such failure continues for a period of 30 days after written notice from Crispy Cones (except if the failure is the direct result of a "casualty event," which includes a fire, tornado, hurricane, flood, earthquake or similar natural disaster not within its control, and Developer is using good faith efforts to cure the failure);

(3) has made any material misrepresentation or omission in the application for the Franchise or in any report that it submits to Crispy Cones pursuant to this Agreement;

(4) is convicted by a trial court of or plead no contest to a felony or other crime or offense or engage in conduct that reflects materially and unfavorably upon the operation and reputation of Crispy Cones or the System, or if any of its principals is convicted of or pleads no contest to a felony or other crime or offense or engages in such conduct;

(5) attempts to make or makes an unauthorized assignment, encumbrance or other transfer of its rights or obligations under this Agreements a party to any other agreement with Crispy Cones or its affiliates that is terminated for Developer's breach thereof;

(6) makes any unauthorized use of the Marks or intellectual property or make any duplication or disclosure of any Confidential Information;

(7) fails to comply with any provision of any Franchise Agreement and do not cure such failures within the applicable cure period, if any; or

(8) receives written notice from Crispy Cones of its failure any three times in a calendar year to comply with this Agreement, even if timely cured in each instance.

b. With Notice and an Opportunity to Cure. This Agreement shall terminate upon Developer's failure to cure any of the following, each of which is deemed to be "good cause." If Developer (or any of its owners, if Developer is a business entity):

(1) fail to comply with any requirement in this Agreement not listed in Subsection 7.1 above prescribed by Crispy Cones within 30 days after notice is delivered to Developer;

(2) fail to furnish reports, financial statements, tax returns or any other documentation required by the provisions of this Agreement and do not correct such failure within 15 days following notice; or

(3) fail to make payments to Crispy Cones for any amounts due within 10 days after notice is delivered to Developer.

c. Cross Default. Any default by Developer under any other agreement between Crispy Cones or its affiliates as one party and Developer or any of Developer's members or any of its or their affiliates as the other party that is material as to permit Crispy Cones to terminate, or declare a default under, such other agreement shall be deemed to be a default of this Agreement, and Crispy Cones shall have the right, at its option, to terminate this Agreement, effective immediately upon notice to Developer.

d. Limits. The description of any default in any Crispy Cones notice to Developer shall not preclude Crispy Cones from specifying additional or supplemental defaults in any action or proceeding under this Agreement.

## 8. OBLIGATIONS UPON TERMINATION OR EXPIRATION

a. Obligations. Upon termination or expiration of this Agreement for any reason:

(1) Developer's rights under this Agreement shall cease and Developer is no longer entitled to exercise the Development Rights;

(2) Developer shall immediately and for all time thereafter, cease to represent that Developer is a developer of Crispy Cones Stores, except as allowed under any then-effective Franchise Agreements;

(3) At Developer's sole expense, Developer must return all Confidential Information in Developer's possession or control, except the Confidential Information that Developer are permitted to use under any then-effective Franchise Agreements;

(4) Developer shall pay immediately all sums due to Crispy Cones and its affiliates under this Agreement (if any); and

(5) Developer shall comply with all provisions of this Agreement that survive its termination and expiration.

b. Survival of Obligations. The expiration or termination of this Agreement shall not relieve Developer of any of its obligations to Crispy Cones existing at the time of such expiration or termination, or terminate Developer's obligations that, by their nature, survive the expiration or termination of this Agreement. The expiration or termination of this Agreement shall be without prejudice to Crispy Cones'

rights against Developer. Crispy Cones has no obligation to inform Developer of its obligations or of the termination of any of Developer’s rights under this Agreement.

9. **NOTICES**

Any notice or payment required to be given to either party is properly given and effective (a) on the date of delivery if delivered in person or (b) upon confirmation of receipt (or notice of refusal to accept receipt) if delivered by reputable overnight courier, such as FedEx, all fees postage paid, to the respective addresses given below, or to another address as is designated by written notice given to the other party. The notice addresses are as follows:

In the case of Developer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

In the case of Crispy Cones: Crispy Cones Franchising, LLC  
Attn: Jeremy Carlson  
3878 Jake Way, Suite 101  
Rexburg, ID 83440

10. **MISCELLANEOUS**

a. **Governing Law and Dispute Resolution.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Idaho, without regard to its conflict of laws principles. In the event of a dispute between the Parties, both agree to first try to amicably resolve the dispute. Any dispute that cannot be resolved by the Parties through negotiation shall be governed by the dispute resolution provisions of the Franchise Agreement executed by the Parties contemporaneously with this Agreement.

b. **Assignment.** Crispy Cones has the absolute right to transfer, assign, or sell, by agreement or by law, directly, indirectly, or contingently, this Agreement and any right and obligation under this Agreement. Developer may not transfer, assign, or sell, by agreement or by law, directly, indirectly, or contingently, this Agreement and any right and obligation under this Agreement without the prior written consent of Crispy Cones. Any purported transfer, assignment or sale by Developer in violation of this Section is void and of no effect.

c. **Modifications.** This Agreement may not be modified except by a writing signed by authorized representatives of both Parties. It is agreed that no use of trade or other regular practice or method of dealing between the parties hereto shall be used to modify, interpret, supplement, or alter in any manner the terms of this Agreement.

d. **Attorneys’ Fees.** In the event any action or claim is brought by either Party to enforce its rights under this Agreement (including any agreement to participate in binding arbitration), the prevailing Party in any such action shall be entitled to recover from the non-prevailing party all reasonable fees, costs, and expenses of counsel (at pre-trial, trial and appellate levels). If Crispy Cones is required to seek injunctive relief against Developer, or if Developer does not comply with the obligations upon termination or expiration of the Agreement and Crispy Cones is required to enjoin Developer’s continued activities, Developer must reimburse Crispy Cones its reasonable attorneys’ fees and costs in obtaining such injunctive or related relief.

e. Independent Contractors. The parties are independent contractors, and no agency, partnership, joint venture, or employee-employer relationship is intended or created by this Agreement. Neither party shall make any warranties or representations on behalf of the other party.

f. Waiver. Any Party to this Agreement may extend the time for or waive the performance of any of the obligations of the other, waive any inaccuracies in the representations or warranties by the other, or waive compliance by the other with any of the covenants or conditions contained in this Agreement. Any such extension or waiver shall be in writing and signed by the Parties. No such waiver shall operate or be construed as a waiver of any subsequent act or omission of the Parties.

g. Severability. The invalidity or unenforceability of any one or more of the words, phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity or enforceability of the remaining provisions of this Agreement or any part of any provision, all of which are inserted conditionally on their being valid in law, and in the event that any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall be declared invalid or unenforceable, this Agreement shall be construed as if such invalid or unenforceable word or words, phrase or phrases, sentence or sentences, clause or clauses, or section or sections had not been inserted or shall be enforced as nearly as possible according to their original terms and intent to eliminate any invalidity or unenforceability.

h. Waiver of Jury Trial. **EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.**

i. Independent Investigation and Advice of Counsel. Developer represents that it has been accorded ample opportunity to ask Crispy Cones all questions about this Agreement and its exhibits, and Crispy Cones has answered all these questions to Developer's full and complete satisfaction; and that Developer has conducted an independent investigation of the business contemplated by, and the activities to be conducted under, this Agreement; and that Developer has been accorded ample opportunity to consult with counsel of Developer's own choosing about the risks of entering into this Agreement; and that Developer has had Crispy Cones' franchise disclosure document and all its exhibits and this Agreement and all its exhibits with ample opportunity to have it reviewed by counsel of Developer's own choosing.

j. Business Risk. Developer agrees that the business franchised under this Agreement and the activities required hereunder involve risks that make Developer's success largely and principally dependent on Developer's abilities and services and on any persons Developer employs.

k. Disclaimer. Developer represents that it has not received from Crispy Cones or any present or past Crispy Cones affiliate or any of their present or past directors, stockholders, officers, employees, or agents any written or oral statement, representation, or warranty inconsistent with, or contradictory to anything in this Agreement or the franchise disclosure document, or any other agreement and all exhibits to all such documents;

l. Survival. All covenants, agreements, representations and warranties made in this Agreement or otherwise made in writing by any party pursuant to this Agreement shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement.

m. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

11. **ENTIRE AGREEMENT.** This agreement and its exhibits constitute the entire agreement of the parties and there are no other written or oral understandings between the parties related to the subject matter of the agreement, except that Developer acknowledges that Crispy Cones has relied on Developer's representations made prior to execution of this agreement. Nothing in this Agreement or any related agreement is intended to disclaim the representations made by Crispy Cones in its franchise disclosure document.

*[Signature page to follow]*

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

**Crispy Cones Franchising, LLC**

**[Developer]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Please Print)

Name: \_\_\_\_\_  
(Please Print)

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

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

**EXHIBIT A**

**DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE**

1. Development Area. The Development Area is defined by the following geographic boundaries, as they exist as of the Effective Date, and as further set forth on the attached map:
  
2. Development Schedule. Developer must meet the following Development Schedule as outlined below (to be completed before the execution of this Agreement):

Franchise Agreement Number	Franchise Agreement To Be Executed By (Date)	Store To Be Opened By (Date)	Minimum Cumulative Number of Crispy Cones Stores to be Open and Operating by Developer in Development Area
1	Signed concurrently with this Agreement		1
2			2
3			3
4			4
5			5

IN WITNESS WHEREOF, the parties have executed this Exhibit A on the Effective Date.

**Crispy Cones Franchising, LLC**

**[Developer]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Please Print)

Name: \_\_\_\_\_  
(Please Print)

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

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

**EXHIBIT B**

**ENTITY INFORMATION AND OWNERSHIP ADDENDUM**

1. Entity Information. If Developer is an entity, Crispy Cones requires the following information regarding Developer’s corporate form and ownership:

Entity form (corporation, LLC, partnership, etc.):  
\_\_\_\_\_

Date of formation: \_\_\_\_\_

Incorporated or formed under the laws of the State of:  
\_\_\_\_\_

2. Managing Developer. The name and contact information for the Managing Developer are as follows:

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

3. Entity Owners. Developer represents and warrants to Crispy Cones that each shareholder owning directly or beneficially five percent (5%) or more of any class of securities of the entity; and general partner or co-venturer in the entity; any partner in a limited liability partnership or member in a limited liability company owning directly or beneficially five percent (5%) or more of the ownership interest in the entity; the trustees or administrators of any trust or estate; and any beneficiary of a trust or estate owning, directly or beneficially, five percent (5%) or more of the interest in the trust or estate (“Entity Owners”) are listed below. If an Entity Owner is itself an entity, the term “Entity Owner” also includes Entity Owners in the entity. Entity Owners are as follows:

<u>NAME</u>	<u>ADDRESS</u>	<u>PERCENTAGE OF INTEREST</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

4. Change. Developer agrees to immediately notify Crispy Cones in writing of any change in the information contained in this Addendum and, at Crispy Cones' request, prepare and sign a new Addendum containing the correct information.

IN WITNESS WHEREOF, the Parties have executed this Exhibit B on the Effective Date.

**Crispy Cones Franchising, LLC**

**[Developer]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Please Print)

Name: \_\_\_\_\_  
(Please Print)

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

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

**EXHIBIT D**  
**BRAND STANDARDS MANUAL**  
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Toppings are an exciting item on our menu! It is a fun addition to a Crispy Cone. All toppings should be made fresh on Monday prior to opening. Toppings need to be filled and cut before your store opens. Strawberries must be made fresh on a daily basis. Do not reuse strawberries day to day. All toppings must be thrown out on the last day of the week (Saturday/Sunday).	22
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## EXHIBIT E

### FRANCHISEE LIST

Store Location	Franchisee	Phone Number	Address	Email
Chandler, AZ	Alta Business Partners, LLC	(480) 404-0339	180 S Arizona Ave Suite 110 Chandler, AZ 85225	chandler@thecrispycones.com
Tempe, AZ	Carlson Family Business, LLC	(480) 881-1548	420 S Mill Ave Suite 106 Tempe, AZ 85281	phoenix@thecrispycones.com
Provo, UT	CC Franchise Holdings, LLC CFR Family Investments, LLC	(801) 360-3827	428 W 2310 N Suite 102 B Provo, UT 84604	provo@thecrispycones.com

The franchisees listed below signed a franchise agreement but were not open for business as of the date of this Disclosure Document.

Store Location	Franchisee	Address	Email
Kissimmee, FL	Blissful Delights, LLC	Kissimmee, FL	osceola@thecrispycones.com
Orlando, FL	EMK Family Enterprises, LLC	Orlando, FL	orlando@thecrispycones.com
Frisco, TX	Crispy Crows, LLC	Frisco, TX	friscoplano@thecrispycones.com
Layton, UT	Scoshe Unlimited, LLC	Layton, UT	weberdavis@thecrispycones.com

No franchises have been terminated, transferred or not renewed in the last fiscal year.

**EXHIBIT F**  
**FINANCIAL STATEMENTS**

## **UNAUDITED FINANCIAL STATEMENTS**

**AS OF/THROUGH JANUARY 31, 2024**

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

**Crispy Cones Franchising**  
**Balance Sheet**

As of January 31, 2024

	Total
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 43,663.99
Accounts Receivable	\$ 52,539.65
Inventories	\$ 66,088.88
Prepaid Expenses	\$ -
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 162,292.52</b>
<b>PROPERTY AND EQUIPMENT</b>	<b>\$ 42,192.07</b>
Less Depreciation	\$ (1,043.12)
<b>PROPERTY AND EQUIPMENT - NET</b>	<b>\$ 41,148.95</b>
<b>OTHER ASSETS</b>	
Deposits	\$ 15,451.25
Operating Lease - Right-of-use Assets	\$ 329,802.88
Accounts Receivable - Related Party	\$ 27,468.78
<b>TOTAL OTHER ASSETS</b>	<b>\$ 372,722.91</b>
<b>TOTAL ASSETS</b>	<b>\$ 576,164.38</b>
<b>LIABILITIES AND MEMBERS EQUITY</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 30,736.16
Accrued Liabilites	\$ 9,199.48
Due to Related Party	\$ (26,722.17)
Operating Lease - Current	\$ 77,138.47
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 90,351.94</b>
<b>OPERATING LEASE LIABILITY</b>	<b>\$ 263,038.71</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 353,390.65</b>
<b>MEMBERS EQUITY</b>	<b>\$ 222,773.73</b>
<b>TOTAL LIABILITIES AND MEMBERS EQUITY</b>	<b>\$ 576,164.38</b>

**Crispy Cones Franchising**  
**Profit and Loss**  
January 2024

	<u>Total</u>
REVENUE	\$172,717.95
COST OF REVENUE	\$ 10,292.73
GROSS PROFIT	\$162,425.22
OPERATING EXPENSES	
General and Administrative	\$ 52,015.33
Professional Fees	\$ 4,658.74
Advertising	\$ 14,960.87
Rent	\$ 6,744.00
TOTAL OPERATING EXPENSES	\$ 78,378.94
INCOME/LOSS FROM OPERATIONS	\$ 84,046.28
OTHER INCOME (EXPENSE)	
Other Income	\$ (570.84)
Interest Expense	\$ 457.15
TOTAL OTHER INCOME (EXPENSE)	\$ (1,027.99)
NET INCOME (LOSS)	\$ 83,018.29



#### AUDITOR'S CONSENT

We agree to the inclusion in the Franchise Disclosure Document issued by Crispy Cones Franchising, LLC ("Franchisor") on April 3, 2024, as it may be amended, of our report dated March 26, 2024 and April 28, 2023, on our audit of the financial statements of Franchisor as of December 31, 2023 and December 31, 2022 and for the years then ended.

*Cooper Norman*

April 3, 2024

# AUDITED FINANCIAL STATEMENTS

## Crispy Cones Franchising LLC

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT FOR THE  
YEARS ENDED DECEMBER 31, 2023 and 2022

Crispy Cones Franchising LLC

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## Independent Auditors' Report

To the Owners and Management  
of Crispy Cones Franchising LLC  
Rexburg, Idaho

We have audited the accompanying financial statements of Crispy Cones Franchising LLC (a partnership), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crispy Cones Franchising LLC as of December 31, 2023 and 2022, and the results of its operations and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crispy Cones Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Crispy Cones Franchising LLC'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 misstatements, 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with general accepted auditing standards, we:

- Exercise professional judgement 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 and 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 Crispy Cones Franchising LLC'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 judgement, there are conditions or events, considered in aggregate, that raise substantial doubt about Crispy Cones Franchising LLC'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.



Pocatello, Idaho  
March 28, 2024

Crispy Cones Franchising LLC  
Balance Sheet  
December 31, 2023 and 2022

	2023	2022 (Restated)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 37,249	\$ 45,306
Accounts receivable	16,953	-
Inventories	65,970	29,318
Prepaid expenses	-	6,744
<b>TOTAL CURRENT ASSETS</b>	<b>120,172</b>	<b>81,368</b>
<b>PROPERTY AND EQUIPMENT</b>		
PROPERTY AND EQUIPMENT	42,192	2,415
Less: accumulated depreciation	(1,043)	(20)
<b>PROPERTY AND EQUIPMENT - NET</b>	<b>41,149</b>	<b>2,395</b>
<b>OTHER ASSETS</b>		
Deposits	15,451	28,076
Operating lease right-of-use assets	329,803	-
Accounts receivable - related party	25,754	-
Notes receivable - related party	17,089	-
<b>TOTAL OTHER ASSETS</b>	<b>388,097</b>	<b>28,076</b>
<b>TOTAL ASSETS</b>	<b>\$ 549,418</b>	<b>\$ 111,839</b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 47,106	\$ 3,297
Checks issued in excess of cash	535	-
Accrued liabilities	12,014	1,890
Due to related party	-	456
Operating lease liability, current	77,138	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>136,793</b>	<b>5,643</b>
<b>OPERATING LEASE LIABILITY</b>	<b>263,039</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>399,832</b>	<b>5,643</b>
<b>MEMBER'S EQUITY</b>	<b>149,586</b>	<b>106,197</b>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b>\$ 549,418</b>	<b>\$ 111,839</b>

See independent auditors' report and accompanying notes to financial statements.

Crispy Cones Franchising LLC  
Statement of Operations  
Years Ended December 31, 2023 and 2022

	2023		2022 (Restated)	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue
REVENUE	\$ 576,204	100.0%	\$ 253,009	100.0%
COST OF REVENUE	181,976	31.6%	4,045	1.6%
GROSS PROFIT	394,228	68.4%	248,963	98.4%
OPERATING EXPENSES				
General and administrative	250,884	43.5%	62,064	24.5%
Professional fees	49,215	8.5%	61,206	24.2%
Advertising	54,924	9.5%	19,515	7.7%
Rent	68,348	11.9%	-	0.0%
Depreciation	1,023	0.2%	20	0.0%
TOTAL OPERATING EXPENSES	424,394	73.7%	142,805	56.4%
INCOME (LOSS) FROM OPERATIONS	(30,166)	-5.2%	106,158	42.0%
OTHER INCOME (EXPENSE)				
Other income	2,530	0.4%	61	0.0%
Interest expense	(192)	0.0%	(178)	-0.1%
TOTAL OTHER INCOME (EXPENSE)	2,338	0.4%	(117)	0.0%
NET INCOME (LOSS)	\$ (27,828)	-4.8%	\$ 106,042	41.9%

See independent auditors' report and accompanying notes to financial statements.

Crispy Cones Franchising LLC  
Statement of Member's Equity  
Years Ended December 31, 2023 and 2022

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BALANCE AT January 1, 2022	\$ -
Net income (restated)	106,042
Contributions	<u>155</u>
BALANCE AT December 31, 2022, as restated	106,197
Net loss	(27,828)
Contributions	120,000
Distributions	<u>(48,783)</u>
BALANCE AT December 31, 2023	<u>\$ 149,586</u>

See independent auditors' report and accompanying notes to financial statements.

Crispy Cones Franchising LLC  
Statement of Cash Flows  
Years Ended December 31, 2023 and 2022

	2023	2022 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ (27,828)	\$ 106,042
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,023	20
Non-cash lease expense	10,374	-
Change in assets and liabilities that provided (used) cash:		
Accounts receivable - net	(16,953)	(6,744)
Accounts receivable - related party	(25,754)	-
Inventories	(36,652)	(29,318)
Prepaid expenses	6,744	-
Deposits	12,625	(28,076)
Accounts payable	43,809	3,297
Accrued liabilities	10,125	1,890
Due to related party	(456)	455
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(22,943)</b>	<b>47,566</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(39,777)	(2,415)
Increase in notes receivable - related party	(17,089)	-
<b>NET CASH USED FROM INVESTING ACTIVITIES</b>	<b>(56,866)</b>	<b>(2,415)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Checks issued in excess of cash	535	-
Distributions	(48,783)	(186)
Contributions	120,000	341
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>71,752</b>	<b>155</b>
<b>NET CHANGE IN CASH</b>	<b>(8,057)</b>	<b>45,306</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>45,306</b>	<b>-</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 37,249</b>	<b>\$ 45,306</b>
Non-cash investing and financing activities:		
Recognition of right-of-use assets	\$ 393,007	\$ -
Recognition of lease liability	392,357	-

See independent auditors' report and accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Crispy Cones Franchising LLC (the "Company") is an Idaho Limited Liability Company located in Madison County. The Company offers franchise opportunities and sale of grills, apparels and paper products to entrepreneurs who want to own and operate their own Crispy Cones operation, as a franchise.

Method of Accounting

The financial statements are presented on the accrual method of accounting.

Use of Estimates

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

Cash

The Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The carrying amount approximates fair value due to the relatively short period to maturity of these instruments.

The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation ("FDIC") Insurance Limit. As of December 31, 2023, no cash exceeded the FDIC limit.

Accounts Receivable

The Company grants credit to customers during the normal course of operations without requiring any specific collateral. Accounts receivables are presented net of an allowance for credit losses. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for credit losses, based on a history of past write-offs and collections, current credit conditions, reasonable and supportable forecasts. When the Company determines that an account receivable is uncollectible, the balance is removed from the account receivable balance and is charged against the allowance. As of December 31, 2023 and 2022, no allowance for credit losses was considered necessary. The Company's accounts receivable do not bear any interest.

Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less reasonably predictable costs of acquisition, disposal, and transportation. Appropriate consideration is given to obsolete, excessive levels, alterations, and other factors in evaluating net realizable value.

During 2023, the Company discovered certain errors relating to understatement of inventory balances relating to previous years and corrected certain reported amounts. The misstatement was on account of erroneous classification to the expense accounts.

As such, the Company restated these balances by adjusting the opening balance of retained earnings as of December 31, 2022. The effect of this error to retained earnings as of December 31, 2022, and net loss for the year ended 2022 is an understatement of inventories of \$29,318.

The effect of same error resulted in a decrease of inventories as of December 31, 2023 by \$29,318 which was corrected during the current year.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over estimated useful lives ranging from 3 to 40 years.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, service has been performed, the fee is fixed or determinable, and collectability is probable. Revenue generally is recognized net of allowances for returns, estimated claims and any taxes collected from customers and subsequently remitted to governmental authorities.

Revenue recognition for multiple-element arrangements requires judgment to determine if multiple elements exist, whether elements can be accounted for as separate units of accounting, and if so, the fair value for each of the elements.

Initial franchise fees are recorded as income when the franchise agreement has been signed or when the franchise has commenced operations, whichever comes first. If the fee is received over a period of time and the Company has no reasonable basis for estimating the collectability of the fee, the Company will use the installment method of recognition of the initial fee as revenue.

Monthly royalty fees and advertising fees will be recognized when reported by the franchisee.

Crispy Cones Franchising LLC  
Notes to Financial Statements  
Years Ended December 31, 2023 and 2022

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Cost of Revenue

Cost of revenue includes supplies that are sold to start up franchises.

Advertising

Advertising costs are expensed to operations as they are incurred.

Income Taxes

The Company is a disregarded entity reported on the Crispy Cones Holdings tax return. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Under ASC 740-10-50 this is considered an income tax position subject to evaluation regarding the possibility of the position being overturned upon examination by a taxing authority. Management believes this position will not be overturned. No interest or penalties related to income taxes have been recognized in the statement of operations or balance sheet. The Company uses a fiscal year-end for income tax reporting purposes, and tax years back to and including the tax year ended December 31, 2023, are subject to examination by major taxing jurisdictions.

Leases

In February 2016, the Financial Account Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of right-of-use assets ("ROU") assets and lease liabilities by lessees for those leases classified as operating leases.

The Company adopted the standard effective January 1, 2022, with certain practical expedients available. The Company elected the available practical expedients to 1) use a risk-free rate as the discount rate for its leases, where rate implicit in lease is not available; 2) not separate non-lease components from lease components; and 3) account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new-guidance at lease commencement.

At the time of adoption of the new lease accounting guidance, the Company did not have any operating leases. For the year ended December 31, 2023, the Company recognized a lease liability of \$392,357 and as offsetting right-of-use asset of \$ 393,007, which represents the present value of the remaining operating lease payments. The adoption of the standard did not have a material impact on the balance sheets, statements of operations, members' equity, or cash flows.

Crispy Cones Franchising LLC  
Notes to Financial Statements  
Years Ended December 31, 2023 and 2022

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Accounting Pronouncements

Effective January 1, 2023, the Company adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The measurement of expected credit losses under the CECL methodology is applicable to certain financial assets. The Company adopted ASC 326 using the modified retrospective method. Financial assets held by the Company that are subject to ASU 2016-13 include trade accounts receivables. The adoption of this ASU did not have any impact on the Company’s financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

The Company has evaluated all subsequent events through March 26, 2024, the date the financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT – NET

Property and equipment consist of the following as of December 31:

Description	2023	2022
Furniture	\$ 3,794	\$ 2,415
Computers	4,878	-
Leasehold improvements	33,520	-
Total property and equipment	42,192	2,415
Less: accumulated depreciation	(1,043)	(20)
Total property and equipment - net	<u>\$ 41,149</u>	<u>\$ 2,395</u>

Depreciation expense was \$1,023 and \$20 for the years ended December 31, 2023 and 2022, respectively.

3. DUE TO/FROM RELATED PARTY

As of December 31, 2023, the Company has \$42,843 due from a related party. The receivable accrues interest at 0% and is uncollateralized.

As of December 31, 2022, the Company has \$456 due to a related party. The payable accrues interest at 0% and is uncollateralized.

Crispy Cones Franchising LLC  
Notes to Financial Statements  
Years Ended December 31, 2023 and 2022

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4. DEPOSITS

The Company has a \$5,000 deposit for an operating lease for office space, effective March 2023. The Company has a deposit for equipment that has not yet been received and will be sold to the franchisees. For the period ended December 31, 2023, \$10,451 has been included in deposits for the equipment.

5. LEASES

The Company conducts its operations in leased facilities under an operating lease agreement. Total rent and related expenses under this agreement totaled \$68,348 and \$0 for the years ended December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, the Company maintained security deposits totaling \$5,000 related to the operating lease agreement.

The following table presents information about the adoption, amount and timing of cash flows from the Company's capitalized operating lease as of December 31, 2023:

Operating cash flows from operating leases	\$	57,324
Weighted-average remaining lease term (in years)		4.17 years
Weighted-average discount rate		1.68%

Maturities of operating lease liabilities are as follows:

<u>Years Ending December 31,</u>	<u>Operating Lease</u>
2024	\$ 82,148
2025	83,632
2026	85,150
2027	86,694
2028	<u>14,492</u>
Total undiscounted cash flows	352,116
Less: imputed interest	<u>(11,939)</u>
Total lease liabilities	<u>\$ 340,177</u>

# Crispy Cones Franchising LLC

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE PERIODS ENDED DECEMBER 31, 2022 and JULY 11, 2022

Crispy Cones Franchising LLC

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## Independent Auditors' Report

To the Owners and Management  
of Crispy Cones Franchising LLC  
Rexburg, Idaho

We have audited the accompanying financial statements of Crispy Cones Franchising LLC (a partnership), which comprise the balance sheet as of December 31, 2022, and July 11, 2022, and the related statements of operations, member's equity, and cash flows for the 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 Crispy Cones Franchising LLC as of December 31, 2022 and July 11, 2022 and the results of their operations and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crispy Cones Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Crispy Cones Franchising LLC and 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 misstatements, 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with general accepted auditing standards, we:

- Exercise professional judgement 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 Crispy Cones Franchising LLC and subsidiaries' 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 judgement, there are conditions or events, considered in aggregate, that raise substantial doubt about Crispy Cones Franchising LLC and subsidiaries 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.



Pocatello, Idaho  
April 28, 2023

Crispy Cones Franchising LLC  
Balance Sheet  
December 31, 2022 and July 11, 2022

	December 31, 2022	July 11, 2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 45,306	\$ 10,024
Prepaid expenses	6,744	-
<b>TOTAL CURRENT ASSETS</b>	<b>52,050</b>	<b>10,024</b>
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment	2,415	-
Less: accumulated depreciation	(20)	-
<b>PROPERTY AND EQUIPMENT - NET</b>	<b>2,395</b>	<b>-</b>
<b>OTHER ASSETS</b>		
Deposits	28,076	-
<b>TOTAL ASSETS</b>	<b>\$ 82,521</b>	<b>\$ 10,024</b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,297	\$ 13,942
Accrued liabilities	1,890	-
Due to related party	456	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,643</b>	<b>13,942</b>
<b>MEMBER'S EQUITY</b>		
Member's equity	76,878	(3,918)
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b>\$ 82,521</b>	<b>\$ 10,024</b>

See independent auditors' report and accompanying notes to financial statements.

Crispy Cones Franchising LLC  
Statement of Operations

For the Periods July 11, 2022 to December 31, 2022 and January 1, 2022 to July 11, 2022

	December 31, 2022		July 11, 2022	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue
REVENUE	\$ 252,464	100.0%	\$ 544	100.0%
COST OF REVENUE	2,480	1.0%	1,565	287.5%
GROSS PROFIT (LOSS)	249,984	99.0%	(1,021)	-187.5%
OPERATING EXPENSES				
General and administrative	90,415	35.8%	968	177.7%
Professional fees	61,206	24.2%	-	0.0%
Advertising	17,856	7.1%	1,659	304.8%
Depreciation	20	0.0%	-	0.0%
TOTAL OPERATING EXPENSES	169,497	67.1%	2,626	482.5%
INCOME FROM OPERATIONS	80,487	31.9%	(3,647)	-670.0%
OTHER INCOME				
Other income	31	0.0%	30	5.5%
Interest expense	(63)	0.0%	(115)	-21.1%
TOTAL OTHER INCOME	(32)	0.0%	(85)	-15.6%
NET INCOME (LOSS)	\$ 80,455	31.9%	\$ (3,732)	-685.6%

See independent auditors' report and accompanying notes to financial statements.

Crispy Cones Franchising LLC  
Statement of Member's Equity  
For the Periods July 11, 2022 to December 31, 2022 and January 1, 2022 to July 11, 2022

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BALANCE AT January 1, 2022	\$ -
Net loss	(3,732)
Distributions	<u>(186)</u>
 BALANCE AT July 11, 2022	 \$ (3,918)
Net income	80,455
Contributions	<u>341</u>
 BALANCE AT December 31, 2022	 <u>\$ 76,878</u>

See independent auditors' report and accompanying notes to financial statements.

Crispy Cones Franchising LLC  
Statement of Cash Flows

For the Periods July 11, 2022 to December 31, 2022 and January 1, 2022 to July 11, 2022

	December 31, 2022	July 11, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 80,455	\$ (3,732)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	20	-
Change in assets and liabilities that provided (used) cash:		
Prepaid expenses	(6,744)	-
Deposits	(28,076)	-
Accounts payable	(10,645)	13,942
Accrued liabilities	1,890	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>37,356</b>	<b>10,210</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(2,415)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions	341	-
Distributions	-	(186)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>341</b>	<b>(186)</b>
<b>NET CHANGE IN CASH</b>	35,282	10,024
<b>CASH AT BEGINNING OF PERIOD</b>	<b>10,024</b>	<b>-</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 45,306</b>	<b>\$ 10,024</b>

See independent auditors' report and accompanying notes to financial statements.

Crispy Cones Franchising LLC  
Notes to Financial Statements  
For the Periods July 11, 2022 to December 31, 2022 and January 1, 2022 to July 11, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Crispy Cones Franchising LLC (the "Company") is an Idaho Limited Liability Company located in Madison County. The Company offers franchise opportunities to entrepreneurs who want to own and operate their own Crispy Cones operation, as a franchise.

Method of Accounting

The financial statements are presented on the accrual method of accounting.

Use of Estimates

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

Cash

The Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The carrying amount approximates fair value due to the relatively short period to maturity of these instruments.

The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation ("FDIC") Insurance Limit. As of December 31, 2022 no cash exceeded the FDIC limit.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over estimated useful lives ranging from 3 to 40 years.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, service has been performed, the fee is fixed or determinable, and collectability is probable. Revenue generally is recognized net of allowances for returns, estimated claims and any taxes collected from customers and subsequently remitted to governmental authorities.

Revenue recognition for multiple-element arrangements requires judgment to determine if multiple elements exist, whether elements can be accounted for as separate units of accounting, and if so, the fair value for each of the elements.

Crispy Cones Franchising LLC  
Notes to Financial Statements  
For the Periods July 11, 2022 to December 31, 2022 and January, 1 2022 to July 11, 2022

Initial franchise fees are recorded as income when the franchise agreement has been signed or when the franchise has commenced operations, whichever comes first. If the fee is received over a period of time and the Company has no reasonable basis for estimating the collectability of the fee, the Company will use the installment method of recognition of the initial fee as revenue.

Monthly royalty fees and advertising fees will be recognized when reported by the franchisee.

Cost of Revenue

Cost of revenue includes: supplies that are sold to start up franchises.

Advertising

Advertising costs are expensed to operations as they are incurred.

Income Taxes

The Company is a disregarded entity reported on the Crispy Cones Holdings tax return. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Under ASC 740-10-50 this is considered an income tax position subject to evaluation regarding the possibility of the position being overturned upon examination by a taxing authority. Management believes this position will not be overturned. No interest or penalties related to income taxes have been recognized in the statement of operations or balance sheet. The Company uses a fiscal year-end for income tax reporting purposes, and tax years back to and including the tax year ended December 31, 2022 are subject to examination by major taxing jurisdictions.

Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), which requires operating leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2021. The Company had adopted the ASU for the year ended December 31, 2022. The Company did not have any operating leases as of December 31, 2022.

Subsequent Events

The Company has evaluated all subsequent events through April 28, 2023, the date the financial statements were available to be issued.

2. DUE TO RELATED PARTY

Crispy Cones Franchising LLC  
Notes to Financial Statements  
For the Periods July 11, 2022 to December 31, 2022 and January, 1 2022 to July 11, 2022

As of December 31, 2022 the Company has \$456 due to a related party. The payable accrues interest at 0% and is uncollateralized.

3. DEPOSITS

The Company has a \$5,000 deposit for an operating lease for office space, effective March 2023. The Company has a deposit for equipment that has not yet been received and will be sold to the franchisees. For the period ended December 31, 2022, \$23,078 has been included in deposits for the equipment.

# EXHIBIT G

## STATE SPECIFIC ADDENDA

## CALIFORNIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

### CRISPY CONES FRANCHISING, LLC

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000- 31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

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.

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](http://www.dfpi.ca.gov).

The California Franchise Investment Law requires that a copy of all proposed agreements relating the sale of the franchise be delivered together with the franchise disclosure document. Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of the Department of Financial Protection and Innovation before we ask you to consider a material modification to your franchise agreement.

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. No person identified in Item 2 of the Disclosure Document 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 person from membership in such association or exchange.
2. California Business and Professions Code Sections 20000 through 20043 provide rights to you 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.
3. 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. 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.
5. The Franchise Agreement requires dispute resolution by arbitration in the State of Idaho, with the costs being borne by the non-prevailing party. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
6. The Franchise Agreement requires application of the laws of the State of Idaho. This provision may not be enforceable under California law.

7. You must sign a general release if you transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
8. Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.
9. The highest interest rate allowed by law in California is 10% annually.
10. 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.

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

## ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

### CRISPY CONES FRANCHISING, LLC

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. Item 17.v. Choice of Forum is revised to state that any action will be brought in a state or federal court of general jurisdiction in Illinois.
2. Item 17.w. Choice of Law is revised to state that Illinois law shall apply.
3. Illinois law governs the Franchise Agreement and Area Development Agreement.
4. 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.
5. Your rights upon termination or non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
6. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT

### CRSIPY CONES FRANCHISING, LLC

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Crispy Cones Franchising, LLC, an Idaho limited liability company (“**Crispy Cones**”), and \_\_\_\_\_ (“**Franchisee**”). Notwithstanding any provisions in the Agreement, Crispy Cones and Franchisee hereby agree to the following:

1. **Waivers Void.** Any condition, stipulation or provision in the Agreement requiring Franchisee to waive his or her rights under the Illinois Franchise Disclosure Act (the “**Act**”) or any other Illinois law shall be void.
2. **Forum and Choice of Law.** Section 20.A and Section 22.D. of the Agreement are amended to state that any action will be brought in a state or federal court of general jurisdiction in Illinois and to state that Illinois law shall apply. Notwithstanding the foregoing, any arbitration will take place at the location indicated in the Agreement.
3. **Termination and Non-Renewal.** Franchisee’s rights upon termination or non-renewal are set forth in Sections 19 and 20 of the Act.
4. 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 follows]*

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**CRISPY CONES:**

Crispy Cones Franchising, LLC

\_\_\_\_\_

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

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

**FRANCHISEE:**

Name of Franchisee

\_\_\_\_\_

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

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

## ILLINOIS ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT

### CRISPY CONES FRANCHISING, LLC

This Amendment (“**Amendment**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Crispy Cones Franchising, LLC, an Idaho limited liability company (“**Crispy Cones**”), and \_\_\_\_\_ (“**Developer**”). Notwithstanding any provisions in the Agreement, Crispy Cones and Developer hereby agree to the following:

1. **Choice of Law; Forum.** Section 10.a. of the Agreement is amended to state that any action will be brought in a state or federal court of general jurisdiction in Illinois and Illinois law shall apply. Notwithstanding the foregoing, any arbitration will take place at the location indicated in the Agreement.
2. **Waivers Void.** Any condition, stipulation or provision in the Agreement requiring Developer to waive his or her rights under the Illinois Franchise Disclosure Act (the “**Act**”) or any other Illinois law shall be void.
3. **Termination and Non-Renewal.** Developer’s rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Act.
4. 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 follows]*

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**CRISPY CONES:**

Crispy Cones Franchising, LLC

\_\_\_\_\_

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

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

**DEVELOPER:**

Name of Developer

\_\_\_\_\_

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

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

## MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

### CRISPY CONES FRANCHISING, LLC

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

Items 5 and 7 are amended to state the following:

We defer the collection of all initial fees from Minnesota franchisees until we have completed all our pre-opening obligations and you are open for business.

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.

## MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

### CRISPY CONES FRANCHISING, LLC

This Addendum (“**Addendum**”) is effective as of \_\_\_\_\_, 20\_\_ to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Crispy Cones Franchising, LLC, an Idaho limited liability company (“**Crispy Cones**”), and \_\_\_\_\_ (“**Franchisee**”). Notwithstanding any provisions in the Agreement, Crispy Cones and Franchisee hereby agree to the following:

1. **Release.** Minnesota Rule 2860.4400D prohibits Crispy Cones from requiring Franchisee to consent to a general release. The Agreement is modified accordingly, to the extent required by Minnesota law.
2. **Dispute Resolution.** Section 32 is amended, to the extent required under Minnesota law, to comply with Minn. Statutes, Sec. 80C.21 and Minn. Rule Part 2860.4400J, which may prohibit Crispy Cones from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Agreement can abrogate or reduce (1) any of Franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
3. **Notice.** With respect to the franchises governed by Minnesota law, Crispy Cones will comply with Minnesota Statute Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
4. **Indemnification for Use of Trademark.** Crispy Cones will protect Franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair not to protect Franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
5. **Limitation of Claims.** With respect to the franchises governed by Minnesota law, any limitations of claims must comply with Minnesota Statutes Section 80C.17, Subd. 5.
6. **Injunctive Relief.** Franchisee cannot consent to Crispy Cones obtaining injunctive relief. Crispy Cones may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.
7. **Fee Deferral.** Crispy Cones defers the collection of all initial fees from Franchisee until the Crispy Cones has completed all its pre-opening obligations and Franchisee is open for business
8. 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.

**[Signatures to follow]**

**IN WITNESS WHEREOF**, the Parties have executed this Addendum to be effective as of the date set forth below:

Date: \_\_\_\_\_

**CRISPY CONES:**

Crispy Cones Franchising, LLC

\_\_\_\_\_

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

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

**FRANCHISEE:**

Name of Franchisee

\_\_\_\_\_

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

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

## NEW YORK ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

### CRISPY CONES FRANCHISING, LLC

As a supplement to the information disclosed in this disclosure document, the following additional paragraphs are added:

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or

national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent..

3. The following is added to the end of the “Summary” sections of **Item 17(c)**, titled “**Requirements for franchisee to renew or extend,**” and **Item 17(m)**, “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your 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 General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of **Item 17(d)**, “**Termination by Franchisee**”, is amended to state the following:

You may terminate the Franchise Agreement and any ancillary agreements upon any other grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

6. The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York. Franchise Questionnaires and Acknowledgements -- 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. Receipts -- Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT AND RELATED AGREEMENTS

### CRISPY CONES FRANCHISING, LLC

This Amendment (“**Amendment**”) to that certain Crispy Cones Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Crispy Cones Franchising, LLC, an Idaho limited liability company (“**Crispy Cones**”), and \_\_\_\_\_ (“**Franchisee**”) is effective as of \_\_\_\_\_, 20\_\_. Notwithstanding any provisions in the Agreement, Crispy Cones and Franchisee hereby agree to the following:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.
2. A release or waiver of rights executed by Franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act may not be enforceable.
3. Transfer fees are collectable to the extent that they reflect Crispy Cones’ reasonable estimated or actual costs in effecting a transfer.
4. The state of Washington has a statute, RCW 19.100.180 which may supersede the Agreement in Franchisee’s relationship with Crispy Cones including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the Agreement in Franchisee’s relationship with Crispy Cones including the areas of termination and renewal of the franchise.
5. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

8. Crispy Cones uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents Crispy Cones and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting Crispy Cones and former franchisees to ask them about their experience with Crispy Cones.

*[Signatures on following page]*

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**CRISPY CONES:**

Crispy Cones Franchising, LLC

\_\_\_\_\_

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

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

**FRANCHISEE:**

Name of Franchisee

\_\_\_\_\_

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

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

**WASHINGTON ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT AND  
RELATED AGREEMENTS**

**CRISPY CONES FRANCHISING, LLC**

This Amendment (“**Amendment**”) to that certain Crispy Cones Area Development Agreement dated \_\_\_\_\_, 20\_\_ (“**Agreement**”) by and between Crispy Cones Franchising, LLC, an Idaho limited liability company (“**Crispy Cones**”), and \_\_\_\_\_ (“**Developer**”) is effective as of \_\_\_\_\_, 20\_\_\_. Notwithstanding any provisions in the Agreement, Crispy Cones and Franchisee hereby agree to the following:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.
2. A release or waiver of rights executed by Developer shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act may not be enforceable.
3. Transfer fees are collectable to the extent that they reflect Crispy Cones’ reasonable estimated or actual costs in effecting a transfer.
4. The state of Washington has a statute, RCW 19.100.180 which may supersede the Agreement in Developer’s relationship with Crispy Cones including the areas of termination and renewal of the franchise. There may also be court decisions which may supersede the Agreement in Developer’s relationship with Crispy Cones including the areas of termination and renewal of the franchise.
5. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

8. Crispy Cones uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents Crispy Cones and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting Crispy Cones and former franchisees to ask them about their experience with Crispy Cones.

*[Signatures on following page]*

**IN WITNESS WHEREOF**, the parties have executed this Amendment to be effective as of the date set forth above:

**CRISPY CONES:**

Crispy Cones Franchising, LLC

\_\_\_\_\_

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

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

**DEVELOPER:**

Name of Developer

\_\_\_\_\_

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

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

# EXHIBIT H

## STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Pending
Illinois	Pending
Indiana	May 28, 2024
Michigan	April 16, 2024
Minnesota	Pending
New York	Pending
Virginia	June 14, 2024
Washington	Pending

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

# **EXHIBIT I**

## **RECEIPT**

## RECEIPT

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

If Crispy Cones Franchising, LLC (“Crispy Cones”) offers you a franchise, Crispy Cones must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Crispy Cones or an affiliate in connection with the proposed franchise sale. Under Michigan law, if applicable, this period may be 10 business days, which could be longer than 14 calendar days. In addition, under New York law, if applicable, Crispy Cones must provide this Disclosure Document to you at the earlier of your first personal meeting to discuss the franchise 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 Crispy Cones does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

The franchisor is Crispy Cones Franchising, LLC located at 3878 Jake Way, Suite 101, Rexburg, Idaho 83440. Its telephone number is (208) 479-7238.

Crispy Cones’ franchise sellers involved in this offering and selling the franchise to you are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement.

<u>Jeremy Carlson</u>	<u>3878 Jake Way, Suite 101, Rexburg, Idaho 83440</u>	<u>(208) 479-7238</u>
_____	_____	_____

Crispy Cones authorizes the respective state agencies identified on Exhibit A to receive service of process for Crispy Cones in the particular state.

I have received a Disclosure Document with an issuance date of April 3, 2024 that included the following Exhibits:

- |                                                           |                           |
|-----------------------------------------------------------|---------------------------|
| A. State Administrators and Agents for Service of Process | E. Franchisee List        |
| B. Franchise Agreement (and Exhibits)                     | F. Financial Statements   |
| C. Area Development Agreement (and Exhibits)              | G. State Specific Addenda |
| D. Brand Standards Manual – Table of Contents             | H. State Effective Dates  |
|                                                           | I. Receipt                |

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

\_\_\_\_\_  
(Print Name of Prospective Franchisee)

You should return one copy of the signed receipt either by signing, dating, and mailing it to Crispy Cones at 3878 Jake Way, Suite 101, Rexburg, Idaho 83440, or by emailing a copy of the signed receipt to [crispyconesfranchising@gmail.com](mailto:crispyconesfranchising@gmail.com). You may keep the second copy for your records.

## RECEIPT

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

If Crispy Cones Franchising, LLC (“Crispy Cones”) offers you a franchise, Crispy Cones must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Crispy Cones or an affiliate in connection with the proposed franchise sale. Under Michigan law, if applicable, this period may be 10 business days, which could be longer than 14 calendar days. In addition, under New York law, if applicable, Crispy Cones must provide this Disclosure Document to you at the earlier of your first personal meeting to discuss the franchise 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 Crispy Cones does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

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