FRANCHISE DISCLOSURE DOCUMENT

Rocky Mountain Chocolate Factory, Inc.
(a Colorado corporation)
265 Turner Drive
Durango, Colorado 81303
Telephone: (970) 259-0554
Toll Free: (800) 438-7623
www.rmcf.com
frandev@rmcf.net

Rocky Mountain Chocolate Factory businesses sell premium chocolate and other premium confectionery products through branded retail stores ("**Rocky Mountain Chocolate Factory Business(s)**").

The total investment necessary to begin operation of a single full-sized Rocky Mountain Chocolate Factory Business is $465,800 to $871,700. This includes $55,000 to $70,000 that must be paid to the franchisor or an affiliate. The total investment necessary to begin operation of a single kiosk-sized Rocky Mountain Chocolate Factory Business is $175,600 to $460,500. This includes $27,500 to $32,500 that must be paid to the franchisor or an affiliate.

The total investment necessary to begin operation when you sign a development agreement rider is $35,000 to $60,000, which assumes the development of a minimum of three (3) Rocky Mountain Chocolate Factory Businesses (the minimum required if you sign a development agreement rider), which must be paid to us or our affiliates.

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 the Franchise Administrator at Rocky Mountain Chocolate Factory, 265 Turner Drive, Durango, Colorado 81303 and (800) 438-7623.

The terms of your contract will govern your franchise relationship. Do not 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 *"Buying a Franchise: A Consumer Guide"* 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* 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: July 25, 2025

How to Use this Franchise Disclosure Document

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

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

What You Need to Know about Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risks 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 Colorado. 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 Colorado than in your own state.

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.

NOTICE REQUIRED BY
STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY **OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding the notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attention: Franchise Section
P.O. Box 30213
Lansing, Michigan 48909
Telephone Number: (517) 335-7567

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EXHIBITS

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor.

The franchisor is Rocky Mountain Chocolate Factory, Inc. ("**we**", "**us**", "**our**" or "**RMCF**"). We refer to the person who buys the franchise as "**you**" or "**your**" throughout this Disclosure Document. If you are a corporation, partnership or limited liability company ("**Business Entity**"), certain provisions of the Franchise Agreement also apply to your owners as noted in the Franchise Agreement.

Our principal business address is 265 Turner Drive, Durango, Colorado 81303. We presently do business under the name "Rocky Mountain Chocolate Factory, Inc." We are a Colorado corporation formed on November 30, 1982. If we have an agent in your state for service of process, we disclose that agent in Exhibit A. We have been operating Rocky Mountain Chocolate Factory Businesses since May 1981 and, as of the date of this Disclosure Document, we operate two company-owned Rocky Mountain Chocolate Factory Businesses. We began the operation of our retail and manufacturing business in 1981. We have been offering franchises for Rocky Mountain Chocolate Factory Businesses since 1982.

Parents, Affiliates and Predecessors.

Our parent is Rocky Mountain Chocolate Factory, Inc. ("**Parent**"), a Delaware corporation formed on August 6, 2014. Parent's principal place of business is the same as ours. We have no other parents, affiliates or predecessors required to be disclosed in this item. Parent does not offer franchises in any line of business or operate a business of any kind.

The Franchise.

We offer franchises for the establishment and operation of retail stores that sell premium chocolates and other premium confectionery products and feature Rocky Mountain Chocolate Factory brand candy and related products that you purchase from our production facility in Durango, Colorado ("**Durango Product**"), confectionery items that you make in the Store that you prepare from recipes and specifications, through the process of molding, cooking and dipping various foods, such as caramel apples, crackers, pretzels, fresh and dried fruits, dog bones, plain chocolate and other items we approve in writing, in our sole discretion ("**Store Made Product**"), and non-confectionery items ("**Items**"), including gifts and small toys. We license Rocky Mountain Chocolate Factory Business franchisees the right to use the service mark "ROCKY MOUNTAIN CHOCOLATE FACTORY" and related trademarks ("**Marks**") and our marketing plan and proprietary business methods ("**Licensed Methods**").

A Rocky Mountain Chocolate Factory Business is typically in a leased space located in high foot trafficked areas, including lifestyle centers, tourist areas, regional centers, malls, airports and casinos. Kiosk Stores range in size from approximately 100 to 260 square feet and full-sized Stores average approximately 1,000 square feet, although we may approve larger sized Stores up to 2,000 square feet. A typical Rocky Mountain Chocolate Factory Business features up to 100 varieties of chocolate candy and other confections, including bears, clusters, caramels, creams, mints and truffles, primarily made in our production facility, using proprietary recipes developed by our master candy makers. Stores also feature caramel apples being made in Store from start to finish as customers watch, conveying an image of freshness and homemade quality. During the Christmas, Valentine's Day, Easter and other holidays, our production facility may prepare additional candies, many of which are offered in packages specially designed for the holidays and may be purchased in Rocky Mountain Chocolate Factory Businesses.

You must sign our Franchise Agreement ("**Franchise Agreement**"), attached to this Disclosure Document as Exhibit B, for each Rocky Mountain Chocolate Factory Business you operate. The Franchise Agreement grants you the right to use our Marks and Licensed Methods to operate your own Store at a business premises which you select and which we must first approve ("**Store**"). Depending on the type of retail environment you choose for your Store and the type of Store you wish to operate, we offer several different Store plans, ranging from a full-sized Store option to a variety of smaller-sized Store options, which are referred to as "**Kiosk Stores**." All references in this Disclosure Document to "**Stores**" or "**Rocky Mountain Chocolate Factory Businesses**" include both full-sized Stores and Kiosk Stores.

If they qualify, existing franchisees may also operate "**Satellite Stores**" and "**Temporary Stores**" by signing the applicable addenda to the Franchise Agreement in Exhibits VIII and IX. "**Satellite Stores**" are Rocky Mountain Chocolate Factory Businesses which are open for business for a total of between 31 and 180 days in any calendar year, have a lease lasting more than one (1) but fewer than twelve (12) months, and/or are located at, in or adjacent to another facility ("**Host Facility**"). "**Temporary Stores**" are Rocky Mountain Chocolate Factory Businesses which are open for business for less than 30 consecutive days located at, in or adjacent to a Host Facility. Unless otherwise specified in this Disclosure Document, all references to "**Stores**" include the Stores operated as Satellite and Temporary Stores.

We also may grant multi-unit development rights to qualified franchisees, who then will have the right to develop a minimum of three Rocky Mountain Chocolate Factory Businesses within a defined area (the "**Development Area**") over a specific time period or according to a pre-determined development schedule (the "**Development Schedule**"). These franchisees must sign our "**Development Agreement Rider**" to the Franchise Agreement is attached as Exhibit C to this Disclosure Document. They may open and operate Rocky Mountain Chocolate Factory Businesses directly or through controlled affiliates. Each Rocky Mountain Chocolate Factory Business will be constructed and operated under a Franchise Agreement. The Franchise Agreement for the first Rocky Mountain Chocolate Factory Business developed under multi-unit development rights will be in the form attached to this disclosure document as Exhibit B to this Disclosure Document. The Franchise Agreement for each additional Rocky Mountain Chocolate Factory Business developed thereafter will be in the form of the Franchise Agreement we generally offer to new franchisees at that time, which may have materially different terms than the Franchise Agreement included in this offering.

In August 2009, we entered into a Master License Agreement with Cold Stone Creamery, Inc. ("**Cold Stone**"), a subsidiary of Kahala Corp., to allow Cold Stone to offer new and existing Cold Stone franchisees the opportunity to incorporate Rocky Mountain Chocolate Factory products into their Cold Stone Creamery stores. Cold Stone offers franchises for super-premium ice cream stores under the "Cold Stone Creamery" marks. Franchises for co-branded stores are offered by separate Disclosure Document from Cold Stone. As of the date of this Disclosure Document, there were 106 franchisee-owned co-branded Stores offering both Cold Stone Creamery products and Rocky Mountain Chocolate Factory products.

Regulations Affecting the Franchise.

You must comply with all existing regulations concerning food service, nutrition, calorie content, and other federal or state regulations that apply specifically to the food and beverage service industry. For example, the Environmental Protection Agency, U.S. Food and Drug Administration, the U.S. Department of Agriculture, as well as state and local environmental and health departments and other agencies, have laws and regulations concerning the preparation of food and sanitary conditions of food and beverage establishments. State and local agencies may periodically conduct inspections for compliance with these

requirements. Under the federal Clean Air Act and certain state laws, you may be required to comply with applicable statutory guidelines, such as localized quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of such laws impose limits on emissions resulting from commercial food preparation.

It is your sole responsibility to comply with all applicable laws, and to obtain and maintain all necessary licenses and permits required by public authorities. You should investigate these laws that may apply to the food service and beverage service industry.

Market and Competition.

The market for premium chocolates and confections is well established and highly competitive. The candy retail market, as a whole, is well-developed and highly competitive and includes retail units, grocery stores and kiosks selling various types of products and services. You may have to compete with numerous other independent and chain-affiliated businesses, some of which may be franchised. Store sales fluctuate depending on the season and the location of each Store. Sales of chocolate and other confections are also affected by changes in consumer tastes and prevailing attitudes about the consumption of chocolate.

ITEM 2

BUSINESS EXPERIENCE

Director & Board Chair: Mel Keating

Mr. Keating currently serves as a director of Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado and has since November 2024. He also serves as a director of Agilysys, Inc. in Alpharetta, Georgia and has done so since July 2015. He also serves as a director of MagnaChip, Inc. in the Republic of Korea and has done so since August 2016.

Director: Steve Craig

Mr. Craig currently serves as a director of Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado and has since December 2023. He also serves as President/CEO of Craig Realty Group, Inc. in Newport Beach, California and has done so since January 1995.

Director: Allen Harper

Mr. Harper currently serves as a director of Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado, and has since November 2024. He also serves as Chair and CEO of American Heritage Railways, Inc. in Durango, Colorado, and has done so since January 1998.

Director: Brian Quinn

Mr. Quinn currently serves as a director of Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado, and has since November 2024. He also serves as Chief Development Officer of Sonesta International Hotels Corp. in Newton, Massachusetts and has done so since March 2021. Previously, he served as Chief Development Officer of Domio, Inc. in New York City, New York. from March 2020 through March 2021. He also previously served as Senior Vice-President of Choice Hotels International, Inc. in Rockville, Maryland, from January 2017 through March 2020.

Interim CEO & Director: Jeff Geygan

Mr. Geygan currently serves as a director of Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado and has since August 2021. He also serves as the Chief Executive Officer for Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado, and has done so since May 2024. Previously, Mr. Geygan served as Chief Executive Officer and President of Global Value Investment Corp. in Mequon, Wisconsin, from August 2007 through May 2024.

Chief Financial Officer: Carrie Cass

Ms. Cass currently serves as Chief Financial Officer for Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado and has since August 2024. Previously, she served as Comptroller of Aztec Well Servicing, Inc. in Aztec, New Mexico, from December 2023 to August 2024. She also previously served as CEO and Interim CEO of Ballentine Communications, Inc. in Durango, Colorado, from October 2021 through December 2023. Prior to that, she served as Chief Financial Officer for Ballentine Communications, Inc. in Durango, Colorado, from October 2017 through October 2021.

Senior Vice President - Production: Ryan R. McGrath

Mr. McGrath currently serves as Senior Vice President of Production for Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado, and has since March 2025. Previously, he served as Senior Vice-President of Information Technology for Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado, from December 2018 through March 2025.

Vice President - Marketing: Jeremy Garcia

Mr. Garcia serves as Vice President of Marketing for Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado and has since December 2024. Previously, he served as founder of Funbreros, LLC in Miami, Florida, from May 2016 through June 2022. From June 2023 through February 2024, he served as an independent Marketing Consultant in Miami, Florida. From May 2024 through July 2024, he served as head of Marketing at Karater's Diamonds, Inc. in Aventura, Florida.

Vice President - Franchise Business Support: Lizzy Mae Kerr

Ms. Kerr currently serves as Vice President of Franchise Business Support for Rocky Mountain Chocolate Factory, Inc. in Durango, Colorado, and has since December 2024. Previously, she worked as District Manager for West Marine, Inc. in Fort Lauderdale, Florida, from November 2021 through December 2024. Ms. Kerr was Vice President of Operations for Cambridge Spa Group/Massage Envy Franchisee in Austin, Texas, from January of 2019 through October of 2021.

ITEM 3

LITIGATION

1. U Swirl, LLC v. U-Swirl International, Inc. and Rocky Mountain Chocolate Factory, Inc., U.S. Dist. Ct., D. Del., Case No. 1:24-cv-01243-UNA. On November 12, 2024, U Swirl, LLC, purchaser of the U-Swirl Franchise System through a May 1, 2023, Asset Purchase agreement with Seller U-Swirl International, Inc. ("**USI**") with us as Guarantor (the "**APA**"), filed a complaint against USI and us alleging a breach of the APA by USI and us, a breach of the implied covenant of good faith and fair dealing regarding the APA by USI and us, fraudulent inducement to enter into the APA by USI and us, and

negligent misrepresentation for representations within the APA by USI and US. Plaintiff's complaint also alleges a breach of the APA's non-competition covenant by us. Plaintiff alleges actual, compensatory, and consequential damages in amounts to be determined at trial in addition to attorneys' fees, costs, and interest. We deny all allegations made in this complaint and intend to vigorously defend the claims made therein.

2. Tomco LLC v. Aspen Leaf Yogurt, LLC, Rocky Mountain Chocolate Factory, Inc. and U-Swirl, Inc., Dist. Ct., Polk County, Iowa, Case No. LACL 131406. On October 29, 2014, Tomco LLC, a landlord, filed a complaint against Aspen Leaf Yogurt, LLC, U-Swirl, Inc., and us alleging breach of a lease, property damage, misrepresentation related to the transfer of Aspen Leaf Yogurt, LLC's assets to U-Swirl, Inc. in order to avoid liability under the lease, and wrongful transfer of Aspen Leaf Yogurt, LLC's capital to our own account, thereby depriving the plaintiff of rental payments due under the lease. Plaintiff alleged damages in the amount of $91,728, plus attorney's fees and costs. Defendants denied the allegations and asserted affirmative defenses. Following a mediation on June 1, 2016, a settlement was reached between all of the parties. Defendants paid Tomco, LLC $60,000 in order to release all claims plaintiff may have had against the defendants. This case was dismissed with prejudice on July 20, 2016.

3. Immaculate Confection, Ltd. v. Rocky Mountain Chocolate Factory, Inc., in the Supreme Court of British Columbia, Canada, Case no. S 216688. On July 20, 2021, Immaculate Confection, Ltd. ("**IC**"), the former master developer of Rocky Mountain Chocolate Factory Businesses in Canada and the defendant in a separate lawsuit brought by us in a different court (the "**Original Case**"), filed a complaint against us alleging that public statements made by us and our other conduct in connection with the Original Case were defamatory, false, breached our duty of good faith and fair dealing, intentionally interfered with IC's contracts and that we engaged in a civil conspiracy to harm IC. IC demanded damages in an unspecified amount. The parties agreed to dismiss this lawsuit in the settlement agreement entered into between the parties relating to the Original Case, pursuant to which RMCF has the right to execute on provisions of the agreement and call for IC to de-identify all stores operating under the Rocky Mountain Chocolate Factory and related names in Canada, should the parties fail to negotiate a mutually acceptable arrangement going forward. The court dismissed this case on October 27, 2021.

Other than these three actions, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Franchise Agreement

Initial Franchise Fee

You must pay an initial franchise fee of $35,000 (for a full-sized Store) or $20,000 (for a Kiosk Store) in full when you sign the Franchise Agreement for your Store. We do not charge an initial franchise fee if we allow franchisees to operate Satellite Stores or Temporary Stores alongside their Rocky Mountain Chocolate Store. We currently offer:

(i) a discount from the initial franchise fee in the amount of $20,000 for existing franchisees who are in good standing and wish to open a second full-sized Store and a discount from the initial franchise fee in the amount of $10,000 for existing franchisees who are in good standing and wish to open a second Kiosk Store;

(ii) a discount from the initial franchise fee in the amount of $25,000 for existing franchisees who are in good standing and wish to open a third full-sized Store and a discount from the initial franchise fee in the amount of $15,000 for existing franchisees who are in good standing and wish to open a third Kiosk Store, and (iii) waiver of the initial franchise fee for existing franchisees who are in good standing and wish to open a fourth or subsequent full-sized Store, or Kiosk Store;

(iii) a $10,000 discount from the initial franchise fees to qualified veteran franchisees who are in good standing with us; and

(iv) a discounted initial franchise fee of only $5,000: (i) to our employees, and (ii) to students who graduate from the Craig School of Business at Missouri Western State University's Center for Franchise Development Program, where such graduates compete to be awarded a transfer of an existing RMCF franchise.

Individuals who are affiliated with us may also pay reduced initial fees. Initial franchise fees are fully earned by us when paid and are not refundable under any circumstances. During our last fiscal year ended February 28, 2025, did not offer discounts on our initial franchise fees.

Opening Inventory and Supplies

You must purchase from us between $20,000 and $35,000 (if you operate a full-sized Store) or between $7,500 and $12,500 (if you operate a Kiosk Store) of Durango Product opening inventory ("**Opening Inventory**") and cooking supplies within 30 days of opening. The Opening Inventory and cooking supplies are shipped to you. These amounts are fully earned when paid and are not refundable under any circumstances. To the extent that you open a Satellite Store or a Temporary Store, your Opening Inventory and cooking supplies will be accessed through your full-sized Store and/or Kiosk Store.

Development Agreement Rider

If we allow you to sign our Development Agreement Rider to the Franchise Agreement, you will commit to develop a minimum of three Rocky Mountain Chocolate Factory Businesses in a Development Area and pay a "**Development Fee**" equal to the full $35,000 (for a full-sized Store) or $20,000 (for a Kiosk Store) initial franchise fee for the first Rocky Mountain Chocolate Factory Business covered by that Franchise Agreement plus a fee of $15,000 (for a full-sized Store) or $10,000 (for a Kiosk Store) for the second Rocky Mountain Chocolate Factory Business you commit to develop, plus a fee of $10,000 (for a full-sized Store) or $5,000 (for a Kiosk Store) for the third Rocky Mountain Chocolate Factory Business you commit to develop. If you commit to develop four or more Rocky Mountain Chocolate Factory Businesses, Development Fees are waived for the fourth and subsequent full-sized Store or Kiosk Store. We and you will determine the number of Rocky Mountain Chocolate Factory Businesses you must develop and the dates by which you must develop them before signing the Development Agreement Rider.

If you sign the Development Agreement Rider and are unable to find sites for Rocky Mountain Chocolate Factory Businesses or choose not to perform for another reason (in which case the first Franchise Agreement and/or the Development Agreement Rider is terminated), we have the right to keep the entire

Development Fee. Development Fees are fully earned by us when paid and are not refundable under any circumstances.

During our last fiscal year ended February 28, 2025, we collected did not collect any Development Fees.

ITEM 6

OTHER FEES

Type of Fee [1]	Amount	Due Date	Remarks
Cost of Durango Product, Ingredients and other Products [2]	As stated in our published price lists	Net 30 days from invoice	We may change our price lists periodically.
Royalty [3, 4, 5]	Initially 5% of Gross Retail Sales for the earlier of the first twelve (12) months of operation or until February 28th or 29th of the year immediately following the opening of your Store, whichever comes first. Thereafter, (i) 6% of Gross Retail Sales each month, if less than 60% of your prior period Gross Retail Sales were from the sale of Durango Product on an annual basis; or (ii) 5% of Gross Retail Sales each month, if 60% - 65% of your prior period Gross Retail Sales are from the sale of Durango Product on an annual basis; or (iii) 4% of Gross Retail Sales each month, if 65% or more of your prior period Gross Retail Sales are from the sale of Durango Product on an annual basis.	Payable monthly on the 15th day of the next month. Royalties are paid by electronic transfer of funds. We reserve the right to require payments on a bi-monthly or weekly basis.	"**Gross Retail Sales**" is defined in Note 4.
Marketing Fund Contribution [3, 4]	1% of Gross Retail Sales	Payable monthly on the 15th day of the next month by electronic transfer of funds.	We reserve the right to increase this fee up to 3% of Gross Retail Sales.

Type of Fee [1]	Amount	Due Date	Remarks
RMCF Internal Inspection and Audit Fee	Costs of Inspection and Audit	On demand	Payable only if we decide to conduct an inspection and audit, and you have (1) failed to furnish required reports or supporting records on a timely basis for two or more consecutive reporting periods; (2) failed to have sufficient funds available to pay Royalties and Marketing Fund Contributions for two or more consecutive reporting periods; (3) failed to have books and records available for an inspection and audit after receiving reasonable advance notice from us, or otherwise failed to cooperate with our requested inspection and audit; or (4) understated your Gross Retail Sales for the period of any audit by greater than 5%. Also payable by existing franchisees seeking to (1) execute a new Franchise Agreement in advance of the expiration of their current agreement, and/or (2) certify compliance with brand standards for the purpose of qualifying for potential volume discounts for Durango Products.
Transfer Fee	$5,000	Upon approval of transferee and before the transferee attends the initial training program	Payable by either you or transferee. Non-refundable once paid. The transferee is not charged an initial franchise fee.
Successor Franchise Fee	$5,000	When you sign the then current Franchise Agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement.

Type of Fee [1]	Amount	Due Date	Remarks
Expiration Fee	$1,000	Payable monthly on the 15th day of the next month.	We will charge you $1,000 for each consecutive 30-day period after the expiration of your then current Franchise Agreement, unless you have secured an agreement with us which extends your franchise for a limited time period prior to expiration.
Store Upgrades	Estimated range is $10,000 to $250,000	As incurred	Payable if you transfer your Store or renew your Franchise Agreement. The amount varies depending on the items upgraded or remodeled. Most of these amounts will be paid to us or to designated suppliers. A design fee may apply depending on the extent of the upgrades.
Costs and Attorney Fees	Varies under circumstances	As incurred	You must reimburse us for any legal, accounting or other professional fees ("**Professional Fees**") that we incur as a result of any breach or termination of your Franchise Agreement or as a result of your indemnity obligations. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Interest	18% per annum	On demand, but only if you are delinquent in your payments to us.	Begins to accrue the day after payments are due.
Relocation Fee	$10,000 plus our costs (including attorney fees)	Upon relocation	You must pay this if we permit you to relocate your Rocky Mountain Chocolate Factory Business.
Design Fee for the Interior and Layout of Relocated or Remodeled Stores	$5,000	As incurred	Payable only if you relocate or remodel your Store during the term of your Franchise Agreement.

Type of Fee [1]	Amount	Due Date	Remarks
Indemnification Under Franchise Agreement	Will vary under circumstances	As incurred	You must indemnify and reimburse us for any expenses or losses, including Professional Fees, that we or our representatives incur related in any way to your Rocky Mountain Chocolate Factory Business.
Insurance	Reimbursement of our costs, plus a 20% administration charge	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained plus 20% of the premium for an administrative cost of obtaining the insurance.
Administrative Fee	Varies up to 15% of the amount collected by us	As incurred	If you do not pay your landlord or any other third party, we can collect the money from you and pay the person owed and you must pay us a fee for this service.
Operations Manual Return Fee	Currently $150 per physical volume not returned to us or not transferred to buyer	As incurred	Payable if you sell your Store or close it for any reason and do not return all volumes of the operations manual to us or transfer them to the buyer. As of the date of this Disclosure Document, franchisees are provided 3 volumes of the operations manual.

1 Except as otherwise noted in this Item 6, all fees are imposed by and payable to us. All fees are non-refundable and all are uniformly imposed on similarly situated franchisees currently acquiring a franchise. We reserve the right to modify these fees in certain circumstances, including in a co-branded store, and under other circumstances.

2 You will purchase products from us or a supplier we designate or approve. We are the only supplier of boxed chocolates and other Durango Product. We reserve the right to change the prices of Durango Product sold to franchisees and licensees who operate co-branded stores. These fees are non-refundable.

3 All franchisees pay Royalties and Marketing Fund Contributions by electronic funds transfer or by check.

4 "**Gross Retail Sales**" is receipts and income of any kind from all products or services sold from or through the Rocky Mountain Chocolate Factory Business, including any such sale of products or services made for cash or upon credit, or partly for cash and partly for credit, regardless of collection of charges for which credit is given, less returns for which refunds are made, provided that the refund may not exceed the sales price and exclusive of discounts, sales taxes and other taxes, amounts received in settlement of a loss of merchandise, shipping expenses paid by the

customer, revenue from the sale of gift cards and revenue from sales of non-inventory items. "Gross Retail Sales" also includes the fair market value of any services or products received by you in barter or in exchange for your services and products.

5 Within 15 days after the end of each year, we will calculate the amount of your Rocky Mountain Chocolate Factory Business's annual Gross Retail Sales and the percentage of your Rocky Mountain Chocolate Factory Business's annual Gross Retail Sales that are from the sale of Durango Product during the previous year and you must pay us the difference, if any, between (i) the Royalty due based on the your Store's annual Gross Retail Sales and the percentage of your Store's annual Gross Retail Sales that are from the sale of Durango Product and (ii) the Royalty you actually paid to us during the immediately preceding year. We reserve the right to change the fixed dollar amount per pound of Durango Product and the multiple of the wholesale price from time to time, in our sole discretion. If you own other Rocky Mountain Chocolate Factory Businesses governed by other franchise agreements that calculate Royalties differently than described above, we reserve the right to adjust the calculation of Gross Retail Sales based on variances in other Rocky Mountain Chocolate Factory Business's past and current purchases.

ITEM 7

ESTIMATED INITIAL INVESTMENT

FULL-SIZED STORES

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Initial Franchise Fee (See Note 1)	$35,000	$35,000	Cash or Check	Due in full at signing of Franchise Agreement (and, if applicable, Development Agreement Rider)	RMCF
Real Estate and Improvements (See Note 2)	$267,000	$521,000	As incurred	Before opening	Landlord, Contractor, Architect or Engineer
Furniture and Fixtures (See Note 3)	$51,000	$101,000	As incurred	Before opening	Suppliers
Equipment (See Note 3)	$45,000	$60,000	As incurred	Before opening	Suppliers

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Point of Sale (POS) System, a basic personal computer and specified software (See Note 3)	$7,500	$12,500	Lump Sum	Before Opening	Supplier
Signs (See Note 3)	$5,600	$15,000	As incurred	Before opening	Suppliers
Opening Inventory (See Note 4)	$20,000	$35,000	Lump sum	30 days after shipping	RMCF
Inventory and Cooking Supplies Purchased from Other Suppliers (See Note 4)	$2,500	$10,000	As incurred	10-30 days after shipping	RMCF or Suppliers
In-Store Promotional Graphics (Note 5)	$3,500	$6,800	Lump sum	Before opening	Suppliers
Security Deposits, Utility Deposits, Business Licenses, and Lease Review Fees (See Notes 2 and 6)	$5,500	$20,000	As incurred	Before opening	Suppliers
Pre-Opening Training, Travel and Living Expenses (See Note 7)	$2,200	$5,400	As incurred	Before opening	Suppliers
Additional Funds - 3 months (See Note 8)	$21,000	$50,000	As incurred	As incurred	Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT FOR A FULL-SIZED STORE (See Note 9)	**$465,800**	**$871,700**			

Explanatory Notes for Full-Sized Stores

Note 1: Initial Franchise Fees. We describe the initial franchise fee in Item 5 above.

Note 2: Real Estate and Improvements. Real estate costs vary widely from location to location. You must purchase or lease retail space that meets our standards and specifications. We may require you to hire a professional to negotiate the lease for your Store and you must pay the professional's fees or you may hire your own professional provided that certain provisions we require are included in the lease. We

have included an estimated amount for these fees in the high number. Space requirements for full-sized Stores average approximately 1,000 - 1,200 total square feet with 650 or 60% retail square feet, but the exact size will result in cost variances to you. Your costs to improve the Rocky Mountain Chocolate Factory Business will depend in part on whether your space is completely constructed or is the remodel of an existing space. It will also depend on the size of the space, the overall costs in the market, and the type of retail environment in which the Store is located. We assist you in determining the appropriate store design configurations will suit your Store. You must hire the required architect to design your Store layout according to our specifications and submit a plan to us for our prior approval. Architect fees depend on the condition of the space, its location and local permitting requirements. If your Store opens in a strip center or any building other than a major mall, the landlord may pay a portion of your tenant improvements. Your Store may open in a retail environment that offers tenant allowances and improvements. Please consult with your lease professional to clarify if your Store is in a major mall or Triple A location. If this is the case, the landlord will usually not pay for any of your tenant improvements, resulting in higher construction costs to you. The condition of previously occupied sites varies greatly and the amount of usable space also varies greatly.

Note 3: Furniture, Fixtures, Equipment and Signs. These items include the estimated costs to equip your Store with millwork, display cabinets, cooking equipment, storage fixtures, signs, refrigeration equipment, pre-recorded music and related equipment, and a computerized point of sale system that includes PC-based registers, cash drawers, thermal receipt printers, scales, credit card authorization software, credit card readers and laser bar code scanners ("**POS System**").

Note 4: Opening Inventory. See Item 5 for more information on Opening Inventory. You must maintain a minimum inventory of no less than 1,000 pounds of Durango Product at all times. In addition, you need cooking supplies including chocolate, sugar, glucose, nuts, butter, evaporated milk, fresh fruit, and flavorings and other items which can be purchased from RMCF or an approved third-party vendor.

Note 5: In-Store Promotional Graphics. Our designated supplier will provide you with promotional graphics for the walls of your Store, which are tailored to different seasons of the year. You will furnish digital screens for the Store as directed by us to facilitate pricing and promotional communications. You will alternate graphics depending on the season or time of year.

Note 6: Security Deposits, Utility Deposits, Business Licenses and Lease Review Fees. Security deposits range from 0 to 3 months' rent; utility deposits range from $0 to approximately $1,500 and business licenses range from approximately $50 to $550, depending on your location.

Note 7: Pre-Opening Training, Travel and Living Expenses. Your travel and living expenses when you attend our initial training program vary depending on the length of your instruction, the distance you must travel and the standard of living you desire while you attend the program.

Note 8: Additional Funds. This estimates your pre-operational expenses, which are not listed above, as well as additional funds necessary for the first three months of your business operations. These figures are estimates and we cannot guarantee that you will not have additional expenses when you start the business. This item includes a variety of expenses and working capital items during your start-up phase, such as legal and accounting fees; insurance premiums; advertising, promotional and grand opening expenses and materials; rent; employee salaries; and other miscellaneous costs. This item does not include your salary or living expenses.

Note 9: Total Estimated Initial Investment. We relied on our 40+ years of experience in the industry and on information voluntarily reported by franchisees when we prepared these figures, but we

have not made any independent verification of the information reported by franchisees. Except as otherwise provided in this Disclosure Document, none of the fees estimated in the chart above are refundable. Except for the Development Fee (see Item 5), no separate initial investment is required when you sign the Development Agreement Rider (which will be for the development and operation of a minimum of three Rocky Mountain Chocolate Factory Businesses).

KIOSKS

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Initial Franchise Fee (See Note 1)	$20,000	$20,000	Cash or Check	Due in full at signing of Franchise Agreement	RMCF
Real Estate and Improvements (See Note 2)	$27,000	$197,000	As incurred	Before opening	Landlord, Contractor, Architect or Engineer
Furniture and Fixtures (See Note 3)	$32,000	$83,000	As incurred	Before opening	Suppliers
Equipment (See Note 3)	$41,000	$57,000	As incurred	Before opening	Suppliers
Signs/Graphics (See Note 3)	$3,200	$12,000	As incurred	Before opening	Suppliers
Point of Sale (POS) System, a basic personal computer and specified software (See Note 3)	$7,500	$12,500	Lump Sum	Before Opening	Supplier
Opening Inventory (See Note 4)	$7,500	$12,500	Lump sum	30 days after shipping	RMCF
Inventory and Cooking Supplies Purchased from Other Suppliers (See Note 4)	$500	$6,500	As incurred	10-30 days after shipping	RMCF or Suppliers
In-Store Promotional Graphics (Note 5)	$4,000	$11,000	Lump Sum	Before opening	Suppliers

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Security Deposits, Utility Deposits, Business Licenses, and Lease Review Fees (See Note 6)	$5,200	$10,000	As incurred	Before opening	Suppliers
Pre-Opening Training, Travel and Living Expenses (See Note 7)	$2,200	$5,500	As incurred	Before opening	Suppliers
Additional Funds - 3 months (See Note 8)	$25,500	$33,500	As incurred	As incurred	Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT FOR A KIOSK (See Note 9)	**$175,600**	**$460,500**			

Explanatory Notes for Kiosk Chart

Note 1: Initial Franchise Fees. We describe the initial franchise fee in Item 5 above.

Note 2: Real Estate and Improvements. Real estate costs vary widely from location to location. You must purchase or lease retail space that meets our standards and specifications. We may require you to hire a professional to negotiate the lease for your Store and you must pay for the professional's fees or you may hire your own professional provided that certain provisions we require are included in the lease. We have not included any amounts for lease negotiation fees in the chart above. Space requirements for Kiosk Stores may range from approximately 100 to 260 retail square feet, with offsite storage required, resulting in cost variances to you. Your costs to improve the Store will depend in large part on the size of your Kiosk Store, availability of utilities and the Kiosk Store configuration, including whether your space includes cooking facilities or sells only products that require little or no preparation. It will also depend on the size of the space, the overall costs in the market, and the type of retail environment in which the Kiosk Store is located. We assist you in determining which of our two different Kiosk Store configurations will suit your Store. You must hire an architect to design your Kiosk Store layout according to our specifications and submit a plan to us for our prior approval. Architect fees will depend on the condition of the space, its location and local permitting requirements. If your Kiosk Store opens in a strip center or any building other than a major mall, the landlord will sometimes pay a portion of your tenant improvements. Your Kiosk Store may open in a retail environment that offers tenant allowances and improvements. Please consult with your lease professional to clarify if your Store is in a major mall or Triple A location. If this is the case, the landlord will usually not pay for any of your tenant improvements, resulting in higher construction costs to you. The condition of previously occupied sites varies greatly and the amount of usable space also varies greatly.

Note 3: Furniture, Fixtures, Equipment and Signs/Graphics. These items include the estimated costs to equip your Kiosk with millwork, display cabinets, cooking equipment, storage fixtures,

signs, refrigeration equipment, and related equipment, and a computerized point of sale system that includes PC-based registers, cash drawers, thermal receipt printers, scales, credit card authorization software, credit card readers and laser bar code scanners ("**POS System**").

Note 4: **Opening Inventory**. See Item 5 for more information on Opening Inventory. You must maintain a minimum inventory of no less than 1,000 pounds of Durango Product at all times. In addition, you need cooking supplies including chocolate, sugar, glucose, nuts, butter, evaporated milk, fresh fruit, and flavorings and other items which can be purchased from RMCF or an approved third-party vendor..

Note 5: **In-Store Promotional Graphics**. Our designated supplier will provide you with promotional graphics for the walls of your Kiosk, which are tailored to different seasons of the year. You will furnish a digital screen for the Kiosk as directed by us to facilitate pricing and promotional communications. You will alternate graphics depending on the season or time of year.

Note 6: **Security Deposits, Utility Deposits, Business Licenses and Lease Review Fees**. See Note 6 for full-sized Stores above.

Note 7: **Pre-Opening Training, Travel and Living Expenses**. See Note 7 for full-sized Stores above.

Note 8: **Additional Funds**. See Note 8 for full-sized Stores above.

Note 9: **Total Estimated Initial Investment**. See Note 9 for full-sized Stores above.

FOR DEVELOPMENT OF THREE FULL SIZED/KIOSK STORES PURSUANT TO A DEVELOPMENT AGREEMENT RIDER

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Development Fee (See Note 1)	$35,000	$60,000	Cash or Check	Due in full at signing of Franchise Agreement (and, if applicable, Development Agreement Rider)	RMCF
TOTAL (See Note 2)	**$35,000**	**$60,000**			

Note 1: As described in Item 5, if you execute a Development Agreement Rider, you must pay us a development fee in full when you sign the Development Agreement Rider, which is fully earned when paid and not refundable under any circumstances. The development due equals the full $35,000 (for a full-sized Store) or $20,000 (for a Kiosk Store) initial franchise fee for the first Rocky Mountain Chocolate Factory Business covered by that Franchise Agreement plus a fee of $15,000 (for a full-sized Store) or $10,000 (for a Kiosk Store) for the second Rocky Mountain Chocolate Factory Business you commit to develop, plus a fee of $10,000 (for a full-sized Store) or $5,000 (for a Kiosk Store) for the third Rocky Mountain Chocolate

Factory Business you commit to develop. The development fee presented in this Item 7 table assumes the development of a minimum of 3 Stores or Kiosk Stores.

Note 2: For each full-sized Store or Kiosk Store that you will operate under our Development Agreement Rider, in addition to the Development Fee, you must make the additional initial investment described in the tables above for the development of one full-size Store or one Kiosk Store. You should be aware that the initial investments (the estimates of which are as disclosed in the respective tables above) for your second and subsequent full-sized Stores or Kiosk Stores will likely be higher than for the first due to inflation and other economic factors that may vary over time.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Operations

You must establish and operate your Rocky Mountain Chocolate Factory Business in compliance with your Franchise Agreement and our mandatory and suggested specifications, standards, operating methods and procedures, and rules found in the confidential operations manual we loan to you, in the form of several manuals, technical bulletins, cookbooks and other written materials (collectively, "**Operations Manual**"), which we may modify at any time, in our sole and absolute discretion. All written instructions or communications that we provide to all, or a substantial number of, Rocky Mountain Chocolate Factory Business franchisees concerning aspects or modifications to the Licensed Methods will be deemed to be a part of the Operations Manual. All products, equipment, furniture, fixtures, services, supplies, materials, uniforms, recipes, marketing, advertising, inventory items and all related products and services that you use or offer for sale through your Store must meet the minimum standards and specifications in our Operations Manual.

You must sell only Durango Product, Store Made Product and Items that we designate. If you want to sell other products, you must first receive our written approval, which we may withhold in our sole discretion. You may not sell any products resembling Durango Product produced or sold by us unless you first receive our written approval. In addition, your Store must devote at least sixty percent (60%) of its retail display space to Rocky Mountain Chocolate Factory bulk chocolates and packaged Durango Product either produced or sold by us. The only candy you may sell that we do not supply is Store Made Product and candy that we approve from outside approved suppliers. We will provide you with these recipes and specifications in the Operations Manual. You may not purchase, manufacture, or sell any product or service, unless we first approve in writing.

Purchases From Designated or Approved Suppliers

You must purchase all of the Durango Product, ingredients for Store Made Product and other Items that you sell at or through your Rocky Mountain Chocolate Factory Business from us or a source we designate and approve in writing. We are the only designated supplier of Durango Product. You must purchase all products and services that you require to operate your Store from manufacturers, distributors or suppliers we designate or approve, or who meet our standards and specifications. None of our officers owns an interest in any approved or designated suppliers, other than RMCF.

We derive revenue from the sale of Durango Product, Store Made Product ingredients, packaging materials, other Items and certain services to you (excludes fees – royalties). In the fiscal year ended February 28, 2025, our revenue from purchases by franchisees was $20.173M or 84% of our total revenues

of $24.015M. We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications will range from 80% to 85% of the total cost of establishing your Rocky Mountain Chocolate Factory Business and approximately 40% of the total cost of operating your Rocky Mountain Chocolate Factory Business after that time. We are not affiliated with any approved or designated suppliers.

If you propose to offer, conduct or utilize any products, services, materials, forms, items or supplies for sale or use in your Rocky Mountain Chocolate Factory Business from manufacturers, suppliers or distributors which we have not previously approved as meeting our specifications, you must first notify us in writing requesting our approval. We may, in our sole discretion, and for any reason, withhold our approval. Our criteria for supplier approval are available to you upon request. Approval of a supplier or distributor may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier or distributor at any time and from time to time. We may require that samples from a proposed new supplier or distributor be delivered to us for testing before we approve the product or supplier. You are required to reimburse us for the actual cost of conducting the test. We will advise you within 60 days of our receipt of all information needed to evaluate your request whether the product or supplier meets our specifications. We may periodically re-inspect and audit the facilities and products of any approved supplier or distributor and may revoke our approval if we determine the product or supplier no longer meets our criteria.

If there is no designated or approved supplier for a particular item, you must purchase all products, ingredients and services from other suppliers who meet all of our specifications and standards. We formulate and modify our specifications and standards based on quality, composition, finish, appearance and service. Suppliers must adequately demonstrate their capacity to supply your needs, in the quantities, at the times and with the reliability requisite to an efficient operation. We may change our standards and specifications, or suppliers who have our authorization, at any time if we give you 30-days advance written notice.

Store Build-Out and Lease

You must, at your expense, construct, convert, design and decorate the Store in accordance with our design, plans and specifications and with the assistance of contractors, architects and suppliers designated or approved by us. Any architect/designer or other builders that you use must maintain builder's and/or contractor's insurance (as applicable), lien insurance, and performance and completion bonds in forms and amounts acceptable to us. Any plans and specifications which we may provide to you might not reflect the requirements of any federal, states, or local law, code, or regulation, including those arising under the Americans with Disabilities Act ("**ADA**") or similar rules governing public accommodations for persons with disabilities. First-time franchisees must use one of our designated fixture contractors for the build-out of their Store. We reserve the right to require experienced franchisees to use designated contractors as well. We require that you obtain our written consent to any improvements to the Store and we may review and approve all final plans and specifications before construction begins. We also have the right to review and approve all revised or "as built" plans and specifications during construction. Our review is only to ensure your compliance with our design requirements. You are required to ensure that all constructions plans and specifications for your Store comply with the ADA and similar rules, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. We have the right to inspect the location during and after your construction of the Store. We also have the right to require you to remodel, expand, redecorate, reequip and/or refurnish the Rocky Mountain Chocolate

Factory Business at your sole cost and expense to reflect changes in the operations of Rocky Mountain Chocolate Factory Businesses which we prescribe and require of new franchisees.

We must approve any purchase agreement and any lease or sublease (the "**Lease**") for the Store before you sign the purchase agreement, lease or sublease. A copy of the signed Lease is to be delivered to us within 15 days after you sign it. Your Lease must include our required form of franchise addendum to lease (attached as an exhibit to the Franchise Agreement) which must be signed by you and your landlord. Our approval of a Lease for the Store does not constitute a recommendation, endorsement, guarantee, warranty or representation of any kind, whether express or implied, by us of the suitability of the Store or the Lease, the fairness of the Lease, your ability to comply with the terms of the Lease, or the success or profitability of a Rocky Mountain Chocolate Factory Business at the chose Store. You should take all steps necessary to ascertain whether the Store location and Lease are acceptable to you. We do not, by virtue of approving the Lease, assume any liability or responsibility to you or to any third party. You may not modify the Lease if any proposed modification would impact our rights as a third-party beneficiary of provisions of the Lease.

Equipment, Furnishings and Fixtures

You must purchase display cabinets, cooking equipment, storage fixtures, refrigeration and freezer equipment, and all other fixtures and furnishings in your Store from suppliers designated or approved by us.

POS System, Software and Other Technology

You must purchase your POS System from a designated or approved supplier. The POS System allows us to receive certain sales and other information related to retail operations that we specify. We derive no revenue from your purchase of the POS System. You must also have a back office personal computer and bookkeeping software. We reserve the right to require, upon 30 days' prior written notice to you, that you purchase new, modified, or upgraded hardware and software meeting our specifications for your POS System. You must use our designated or approved supplier, currently ProfitKeeper, Inc., to provide us your required quarterly financial statements.

Advertising and Marketing

All marketing and promotion of your Store must conform to our standards and specifications. You must submit to us samples of all advertising and promotional materials which have not been prepared or previously approved by us. Periodic discounts, giveaways, and other promotions are an integral part of our Licensed Methods, and your Store must offer and participate in discounts, giveaways and other promotions at its sole cost and expense, in accordance with our specifications. You also must honor the discounts, giveaways and other promotions offered by other Rocky Mountain Chocolate Factory Business franchisees under any program that we establish, as long as compliance does not contravene any applicable law, rule or regulation. We reserve the right to develop and control all advertising media including but not limited to the following: Print (direct mail, magazine, newspaper, in-store signage, posters, etc.) broadcast (radio, television, etc.) and electronic (websites, e-commerce, email, social media, internet advertising, etc.) You will utilize digital screens in your Store to participate in all marketing and promotional programs. We reserve the right, upon 30-days' advance written notice to you, to require that you participate in any such electronic advertising. All Rocky Mountain Chocolate Factory Businesses, including any owned by us, must participate in these programs or other promotions that we may adopt in the future.

Insurance

You must maintain certain types and amounts of insurance coverage described in the Operations Manual and in the Franchise Agreement. These types of insurance include comprehensive general liability (no less than $2,000,000 combined single limit), automobile liability insurance covering all employees of the Rocky Mountain Chocolate Factory Business with authority to operate a motor vehicle (no less than $1,000,000), unemployment and worker's compensation with a broad form all-states endorsement coverage sufficient to meet the requirements of the law, all-risk personal property, insurance in an amount equal to at least 100% of the replacement costs of the contents and tenant improvements located at your Rocky Mountain Chocolate Factory Business, business interruption coverage to cover the rent of your Store, previous profit margins, maintenance of personnel and other fixed expenses for the duration of the interruption to the Store's operation, employment practices liability coverage, builder's risk insurance to cover 100% replacement value of the completed construction value or renovations and performance and completion bonds in amounts acceptable to us in connection with construction, refurbishment, renovation, or remodeling of your Store, insurance coverage of such types, nature and scope sufficient to satisfy your indemnification obligations to us, and any additional insurance required by your landlord under your Lease. If you fail to purchase this insurance, we may demand that you cease operations or we may obtain such insurance for you and you must reimburse us for the cost of the insurance we purchase on your behalf. All insurance policies must name us as an additional insured and give us at least 30 days prior written notice of termination, amendment or cancellation. You also must provide us with certificates of insurance evidencing your insurance coverage before the opening of your Store. You must furnish us with copies of all required insurance policies or other evidence of insurance coverage and payment of premiums as we request from time to time. We reserve the right to require you to change the type of insurance you are required to maintain, and upon prior reasonable notice, we may revise the required coverage limits.

Purchasing Arrangements

Currently, we maintain purchasing arrangements for the supply of certain raw materials for the preparation of Store Made Product, such as brittles and caramel, packaging items such as bags and tins, and other items. During our last fiscal year, we did not receive any rebates, incentives or overrides by third-party suppliers from whom you buy items. We may, in our discretion, either retain a credit or rebate received as a result of your purchases.

You should not rely on the continued availability of any particular pricing or distribution arrangement, nor on the availability of any particular product or brand in deciding whether to purchase the franchise. Except as described above, we do not negotiate purchase arrangements with suppliers for the benefit of franchisees, although we reserve the right to do so. We have no purchasing or distribution cooperatives. We do not give you any material benefits based on your use of designated or approved sources or suppliers.

Gift Card and Other Promotional Card Programs

You must participate in our gift card program, referred to as the "**Gift Card Program**" in this Disclosure Document. You may also be required to participate in other prepaid card, rewards card or customer loyalty programs (each, a "**Card Program**") that we implement from time to time. We agree to provide you with at least 30-days' advance notice before you must start participating in a new Card Program. You must follow the guidelines set forth in the Operations Manual with respect to your obligations and responsibilities under a Card Program, the methods of operation for a Card Program, the transaction information you are required to provide to us and the retention of complete and accurate books and records regarding transactions made in compliance with the terms of a Card Program. Depending on

the gift card vendor you use to process credit cards and the sophistication of the POS System in your Store, currently you will pay a monthly fee of between $15 and $35 to the vendor. If your POS System is not capable of processing our gift cards, you must acquire a card reader that is compatible with Valuetec processing systems, the current cost of which is approximately $350. We reserve the right to require you to pay additional fees or to acquire additional equipment related to the Gift Card Program on 30 days' notice from us.

We reserve the right to require you to purchase and utilize processing equipment and software designated by us for the Gift Card Program or another Card Program. In order to enable you to comply with applicable state laws and regulations, the funds you receive in connection with the sale, activation and reloading of prepaid cards, gift cards, rewards cards or similar promotional cards, and the subsequent transactions which are made by the holders of the cards will be accounted for separately from other sales made at your Store. We reserve the right to collect the funds you receive in connection with the sale and activation and reloading of prepaid cards, gift cards, rewards cards or similar promotional cards for reconciliation of the cardholder revenue and debited cardholder sales. You are responsible for compliance with all federal and state laws that regulate gift and stored value cards, including any unclaimed property laws in your state. We reserve the right to charge you transaction fees to activate, reload, redeem and otherwise administer the Gift Card Program and any other Card Program that we may require in the future. You may be required to sign an addendum to your Franchise Agreement in the future as a condition of participation in a Card Program. Additionally, we have the right to audit your books, records and processes relating to all Card Programs. You must pay the costs of an audit if the audit reflects an underpayment of more than 5% during the period reviewed.

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	Sections 3.1 and 5.1 and Exhibits VIII, IX, and XII of Franchise Agreement; Section 6 of Development Agreement Rider;	Items 7, 8 and 11
(b) Pre-opening purchases/leases	Sections 5.1, 5.3 and 5.4 of Franchise Agreement	Items 5, 7 and 8
(c) Site development and other pre-opening requirements	Sections 5.2, 5.5, and 5.6 and Exhibits VIII and IX of Franchise Agreement;	Items 7, 8 and 11
(d) Initial and ongoing training	Article 6 of Franchise Agreement	Items 6, 7 and 11
(e) Opening	Section 5.7 of Franchise Agreement; Section 3 of Development Agreement Rider	Item 11

Obligation		Section in Agreement	Disclosure Document Item
(f)	Fees	Article 4, Sections 10.1, 16.2, 17.2, 17.3, 18.3 and 22.8, and Exhibits VIII and IX of Franchise Agreement; Section 5 of Development Agreement Rider;	Items 5 and 6
(g)	Compliance with standards and policies/ Operating Manual	Article 8 and Sections 13.1 and 13.2 of Franchise Agreement	Items 8, 11, 14, 15 and 16
(h)	Trademarks and proprietary information	Article 14 and Section 20.3 of Franchise Agreement; Section 4 of Development Agreement Rider	Items 13 and 14
(i)	Restrictions on products/services offered	Sections 10.1(e) and 13.4 and Exhibits VIII and IX of Franchise Agreement; Section 4 of Development Agreement Rider;	Items 8 and 16
(j)	Warranty and customer service requirements	Not Applicable	Not Applicable
(k)	Territorial development and sales quotas	Not Applicable	Not Applicable
(l)	Ongoing product/service purchases	Sections 10.2, 10.3, 10.4, 10.5, 13.4, 13.5, and 13.6 of Franchise Agreement	Items 8 and 16
(m)	Maintenance, appearance and remodeling requirements	Sections 10.1(a), (b) and (k), and Exhibits VIII, IX, X, and XI of Franchise Agreement;	Item 8
(n)	Insurance	Article 21 of Franchise Agreement	Item 7
(o)	Advertising	Article 12 and Exhibits VIII and IX of Franchise Agreement;	Items 6 and 11
(p)	Indemnification	Section 19.3 of Franchise Agreement; Section 10 of Development Agreement Rider	Not Applicable
(q)	Owner's participation/management/ staffing	Sections 10.1(d) (l) and (m) of Franchise Agreement	Item 15
(r)	Records and reports	Article 15 of Franchise Agreement	Item 6
(s)	Inspections and audits	Sections 13.3 and 15.5 of Franchise Agreement	Item 6
(t)	Transfer	Article 16 and Exhibits VIII, IX, XI of Franchise Agreement; Section 9 of Development Agreement Rider;	Item 17

Obligation	Section in Agreement	Disclosure Document Item
(u) Renewal	Sections 17.2, 17.3 and 17.4 and Exhibit X of Franchise Agreement;	Item 17
(v) Post-termination obligations	Section 18.5 of Franchise Agreement	Item 17
(w) Non-competition covenants	Article 20 of Franchise Agreement	Item 17
(x) Dispute Resolution	Article 22 of Franchise Agreement; Section 10 of Development Agreement Rider	Item 17
(y) Other - Personal Guaranty	Section 10.1 of Franchise Agreement and Exhibit II to the Franchise Agreement	Item 15

ITEM 10

FINANCING

We may choose to extend financing for up to 50% of the total investment for the purchase of a Rocky Mountain Chocolate Factory Business.

A copy of the form of "Promissory Note" and the accompanying "Security Agreement" used by us for this type of financing is attached in Exhibit I to this Franchise Disclosure Document. The Security Agreement requires that a pledge of security in Rocky Mountain Chocolate Factory Business and all assets of the Rocky Mountain Chocolate Factory Business. The interest rate applicable to this Promissory Note shall be set at 0.5% less than the current SBA loan rate as determined at the time of execution. The Promissory Note will be payable in monthly payments and the amount and term will depend on the amount being financed. You may prepay any portion of this Promissory Note at any time without penalty. Any prepayments shall be first applied to any other sums due us and then to the outstanding principal balance.

You must sign the Promissory Note and your owners (if you are a legal entity) must personally guarantee the loan under the form which is attached to the Franchise Agreement as Exhibit II. You must also pay all costs and expenses of collecting the amounts due under the Promissory Note, including attorney fees and court costs. A default under the Promissory Note will be a default under the Franchise Agreement and may result in the termination of your Franchise Agreement and acceleration of payment for the principal balance. You must waive all legal defenses including a jury trial. It is not our practice to sell, assign, or discount the Promissory Note to a third party.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Pre-Opening Assistance

Before you open your Rocky Mountain Chocolate Factory Business, we (or our designee) will:

1. We must approve the Lease for the Store before you sign it. The Lease must be in form and substance we approve, and must include our required form of franchise addendum to lease (attached as an exhibit to the Franchise Agreement) which must be signed by you and your landlord. You must promptly submit a proposed Lease for the Store for our approval following our approval of the site for the Rocky Mountain Chocolate Factory Business. You must deliver to us the approved and fully-signed Lease (including our required form of franchise addendum to lease signed by you and your landlord) within 15 days after you sign the Lease for the Store or, if earlier, before the date specified in any Development Agreement Rider that we and you signed. (Section 5.1(b), Franchise Agreement.)

2. We base our approval of a proposed Store location on information you submit in a form sufficient to assess the location and on information we gather independently. You must submit and receive our approval of an acceptable site and open your Rocky Mountain Chocolate Factory Business within 180 days after the Effective Date, or we may terminate the Franchise Agreement (Sections, 5.7, 7.1(b), & 18.1, Franchise Agreement.)

3. Provide you with advice regarding the required conversion, design and decoration of the Rocky Mountain Chocolate Factory Business premises, plus specifications concerning signs, decor, furniture, fixtures and equipment. (Section 7.1(c), Franchise Agreement.)

4. Provide you with advice regarding the selection of suppliers of equipment, furniture, fixtures, supplies and materials used and Durango Product, Store Made Product and Items offered for sale through your Rocky Mountain Chocolate Factory Business. Depending on the size and configuration of your Store, we will determine your initial purchase of Durango Product inventory. We provide you with a list of approved suppliers, if any, of equipment, furniture, fixtures, supplies, materials, ingredients for Store Made Product and Items, and, if available, a description of any national or central purchase and supply agreements that approved suppliers offer for the benefit of Rocky Mountain Chocolate Factory franchisees. (Section 7.1(d), Franchise Agreement.) Other than Durango Product that you order from us, we do not deliver or install equipment, furniture, signs, fixtures, inventory, and supplies.

5. Train you in Durango, Colorado or at another location we designate. (Section 7.1(a), Franchise Agreement.)

6. Loan you one copy of an Operations Manual covering specifications, standards, rules, Durango Product ordering, Store Made Product manufacturing, processing and stocking and other operating methods, advertising and marketing techniques for Rocky Mountain Chocolate Factory Businesses. The Operations Manual includes recipes and processes for Store Made Product. (Sections 2.2, 8.1 and 10.1, Franchise Agreement.)

7. Provide up to five days of on-site opening assistance, beginning approximately three days before you open a new Rocky Mountain Chocolate Factory Business, or we provide up to three days of opening assistance if you purchase a Store that was already operating. (Section 7.1(f), Franchise Agreement.)

8. Designate a specific number of Rocky Mountain Chocolate Factory Businesses you must develop and open at approved locations in the Development Area (if we grant you development rights). We approve proposed location for each Store to be developed under our Development Agreement Rider in accordance with our then-current site selection criteria which we will supply to you. (Development Agreement Rider –Sections 2, 3, and 6 (See Items 5, 12 and 15) Some of the assistance noted above (including the site selection and lease approval procedures described in 1 and 2) may be performed during the term of a Development Agreement Rider but before the signing of a second or subsequent Franchise Agreement for an additional Store.

Continuing Assistance

During the operation of your Rocky Mountain Chocolate Factory Business, we will:

1. Guide you with respect to the standards, specifications, and operating procedures and methods that Rocky Mountain Chocolate Factory Businesses use. (Section 9.1, Franchise Agreement.)

2. Guide you with respect to purchasing required and authorized Durango Product, Items, Store Made Product and related products and services, and other items, and arranging for their distribution to you. (Section 9.1, Franchise Agreement.)

3. Guide you with respect to advertising and marketing materials and programs to be used in the operation of a Rocky Mountain Chocolate Factory Business. (Section 9.1, Franchise Agreement.)

4. Guide you with respect to employee training, administrative, bookkeeping, accounting, and inventory control procedures. (Section 9.1, Franchise Agreement.)

5. Make our employees or designated agents available to you for advice and assistance regarding the on-going operation of the Store. If you request additional assistance and we agree to provide it, we may charge you for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with the assistance, plus a fee based on the salary of each employee and the time spent by each employee on your behalf. (Section 9.2, Franchise Agreement.)

6. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and services. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which you may charge customers for the products and/or services offered by your Rocky Mountain Chocolate Factory Business; recommending retail prices; advertising specific retail prices for some or all products or services sold at your Rocky Mountain Chocolate Factory Business; engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which your Rocky Mountain Chocolate Factory Business may charge the public for the products and services it offers. (Section 9.3, Franchise Agreement.)

Marketing Fund

You must pay a Marketing Fund Contribution of up to 3% of your monthly Gross Retail Sales. Currently, we charge only 1% of Gross Retail Sales, but we reserve the right to charge up to 3% on 60 days' prior notice to you. You must pay the Marketing Fund Contribution by electronic funds transfer together with the payment of the monthly Royalty, within 15 days after the end of each calendar month, based on the amount of Gross Retail Sales in the previous month. We deposit the Marketing Fund Contribution in a bank, commercial account or savings account ("**Marketing Fund**") and account for these funds separately from operating funds. Our company-owned Stores do not contribute to the Marketing Fund on the same percentage basis as franchised Stores; however, each year we contribute amounts to the Fund equal to or greater than the amounts those Stores would contribute on an annual basis. If you request it in writing, we will send you an annual unaudited financial statement for the Marketing Fund that indicates how we spent the Marketing Fund. Because we do not have the Fund audited, audited financial statements are not available to franchisees.

We administer the Marketing Fund in our sole discretion with sole control over the creative concepts, graphics, materials, media, and endorsements used and their geographic, market, and media placement and allocation. We may designate a separate entity as we deem appropriate in our sole discretion to operate and administer the Marketing Fund. Any separate entity we designate will have all of the rights

and duties described here. The Marketing Fund may be used for creating, preparing, and producing marketing, in-store signage, in-store promotions, media advertising, direct mailings, brochures, collateral material advertising, electronic advertising, such as websites, blogs and social media, including Facebook, Twitter and LinkedIn, communication by email, and advertising and public relations materials and concepts; developing, implementing, operating, and maintaining a system website, an intranet, and/or related strategies; implementing and administering gift card, stored value card and customer loyalty programs; administering national, regional, multi-regional, and local marketing, including, without limitation, purchasing advertising (including digital media/marketing); surveys of advertising effectiveness; costs of using agencies or other advisors assistance (including commissions); training programs; employing advertising agencies and in-house staff to produce advertising and marketing in various media; conducting market research; brand recognition; packaging development, logo, design or other advertising or public relations expenditures relating to advertising our franchisee's products and services; and supporting public relations, market research, and other advertising, promotion, and marketing activities. As of the date of this Disclosure Document, you must participate in our Gift Card Program. Franchisees will sell gift cards in their stores that are tracked by our designated gift card vendor and pay the applicable fees to the vendor. The Gift Card Program is subject to rules as set forth in the Operations Manual. We may require all franchisees to pay additional fees and purchase equipment to participate in the Gift Card Program or another Card Program in the future.

We do not use the Marketing Fund for its or our general operating expenses. We may reimburse ourselves from the Marketing Fund for salaries and benefits of personnel who manage and administer the Marketing Fund, the Marketing Fund's other administrative costs, travel expenses of personnel while they are on Marketing Fund business, meeting costs, overhead relating to Marketing Fund business, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and other reasonable direct and indirect expenses as may be incurred by us or our authorized representatives in connection with the programs funded by the Marketing Fund, including, without limitation, conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for Marketing Fund Contributions. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all Rocky Mountain Chocolate Factory Businesses to the Marketing Fund in that year. The Marketing Fund may borrow from us or other lenders (paying reasonable interest) to cover deficits, pay back outstanding principal amounts borrowed in prior years from us or third parties, or cause the Marketing Fund to invest any surplus for future use. We will use all interest earned on Marketing Fund Contributions to pay costs before using the Marketing Fund's other assets. Any amounts that remain in the Marketing Fund at the end of each year accrue and we may apply them toward the next year's expenses. We do not guarantee that advertising expenditures from the Marketing Fund will benefit you or any other franchisee directly or on a pro rata basis. The Marketing Fund is not a trust fund, and we do not owe a fiduciary duty to you with respect to the maintenance, direction or administration of the Marketing Fund. The Marketing Fund is to maximize recognition of the Marks and patronage of Rocky Mountain Chocolate Factory Businesses. Although we may use the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Rocky Mountain Chocolate Factory Businesses, we need not ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to Marketing Fund Contributions by Rocky Mountain Chocolate Factory Businesses operating in that geographic area or that any Rocky Mountain Chocolate Factory Business benefits directly or in proportion to its Marketing Fund Contribution from the development of advertising and marketing materials or the placement of advertising. We may use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to any advertising account or for maintaining, directing or administering any advertising account. We do not solicit franchisees with the Marketing Fund's money. We reserve the right to terminate the Marketing Fund

upon 30 days' prior written notice to all franchisees and any remaining monies will be distributed pro rata based on all Stores' contributions within the preceding 12 months.

We are not obligated to conduct advertising, but we customarily employ in-house creative personnel or contract with design firms or advertising agencies to develop advertising, promotional and marketing materials, websites, and product and retail packaging for use on a national basis. If you wish to create your own advertising or promotional and marketing materials you must receive written approval, in advance, from either our sales and marketing or creative services departments before you may use the materials. Any advertising, promotion and marketing you perform must be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe at any time and from time to time, and materials used in connection with these activities must conform to our brand standards, including fonts, design, layout, imagery, logo and Marks. If you fail to obtain written approval before displaying or publishing materials, you may be required to remove, destroy or reprint such materials at your sole cost and expense. This is to ensure professional quality and brand consistency in both message and content. You are not permitted to create your own website or sell products over an internet site that is not sponsored by us. Under no circumstances are you permitted to create your own product or retail packaging.

In fiscal year ended February 28, 2025, we spent 44% of the contributions by franchisees and RMCF to the Fund on media, 52% on production, and 4% on administrative expenses. The Marketing Fund is used for advertising, marketing and promotions on a national basis; we are not obligated to spend any amount on advertising, marketing or promotions in any particular geographic area.

Franchise Advisory Council

We have formed a franchise advisory council ("**FAC**") that advises RMCF on a variety of issues that are relevant to the Franchisor's leadership team, including but not limited to operations, advertising, training, systems, processes, programs and policies to improve the Rocky Mountain Chocolate Factory brand and franchise network. Members of the FAC are selected by the senior leadership of RMCF from a broad cross-section of franchisee owners. The FAC operates in an advisory capacity only, and RMCF may form, change, dissolve, or merge the FAC in its sole and absolute discretion.

Local Advertising

We require you to spend up to 1% of Gross Retail Sales each month on local advertising in addition to the Marketing Fund Contribution. You must give us an accounting of the amounts you spent on local advertising within 30 days following the end of each calendar quarter. All company-owned Rocky Mountain Chocolate Businesses also spend money for local advertising on an equal percentage basis with all franchised Rocky Mountain Chocolate Business. You may purchase local advertising separately through local marketing and media sources within a geographical area. Local advertising is your responsibility, and any advertising, promotion and marketing you perform must be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe at any time and from time to time. You must obtain our prior written approval of all final advertising and promotional materials before publication.

Regional Advertising

We reserve the right to designate geographic areas to establish regional advertising associations ("**Co-ops**"). Unless you are signing Exhibits VIII and IX to the Franchise Agreement because you will be operating a Satellite Store or Temporary Store, if your Store is within the territory of an existing Co-op

when your Store opens, you must become a member of the Co-op. If we establish a Co-op during the term of the Franchise Agreement, you must become a member within 30 days after we establish the Co-op. Your failure to participate in the Co-op or pay any Co-op dues will be a breach of the Franchise Agreement. We must approve all final advertising and promotion materials before publication. At the request of the Co-op, you would contribute up to 50% of your Marketing Fund Contribution described in this Item 11, as would all other franchises in the Co-op. These funds would be available for specific programs selected by the majority of the Co-op members and approved by us in advance. If we form a Co-op, you will be bound by the decisions of the majority of the members of the Co-op with respect to expenditures, assessments and dues, to the extent we approve them. Each Co-op could require its members to make additional minimum contributions to the Co-op monthly up to the full amount of your Marketing Fund Contribution. We would approve all advertising materials before they were used by a Co-op or furnished to its members. The Co-op would be required to prepare unaudited annual financial statements and send them to you if you request them. A Co-op would be comprised of franchisees. We can form, change and dissolve Co-ops. Each Co-op would operate under written documents which franchisees could view. Either we or the Co-op could create the Co-op's advertising, but advertising created by the Co-op would be required to have our written approval before use. We also reserve the right to establish advertising cooperatives in particular regions to enable the cooperative to self-administer a regional advertising program. If we establish a cooperative, you must participate in it. As of the date of this Disclosure Document, we had not established any regional advertising Co-ops or cooperatives.

Operations Manual

Exhibit G to this Disclosure Document is the table of contents of our Operations Manual. The total number of pages in our Operations Manual as of the date of this Disclosure Document is 215.

Site Selection Assistance

You must select and acquire the premises for your Store. You must not, without our prior written approval, enter into any contract for the purchase or lease of any premises you intend to use as the Store for your Rocky Mountain Chocolate Factory Business. We base our approval on information you submit in a form sufficient to assess the location and on information we gather independently. Approval of a location does not infer or guarantee the success or profitability of a Rocky Mountain Chocolate Business in any manner. There is no contractual limit on the time it takes us to approve or disapprove your proposed site. We typically take 30 days to approve or disapprove of your proposed Store. If we do not approve of a location you propose, you will have 30 days to propose an alternative location, provided that you have not exceeded the time for developing and opening a Store. You must submit and receive our approval of an acceptable site and open your Store within 270 days after the effective date of your Franchise Agreement. If we cannot agree on an acceptable location for your Rocky Mountain Chocolate Business, your Franchise Agreement may be terminated.

Schedule For Opening

We estimate that the typical length of time between the date you sign the Franchise Agreement and the date your Rocky Mountain Chocolate Factory Business opens will be between 180 and 270 days. The factors that may affect this time period are your ability to locate a site, secure financing, and obtain a lease, the extent to which you must upgrade or remodel an existing location, the delivery schedule for equipment, inventory and supplies, and completing your training. Unless otherwise agreed in writing by you and us, you must open your Rocky Mountain Chocolate Business within 270 days after you sign the Franchise Agreement. You must notify us in writing at least 30 days prior to commencing operations of your Rocky Mountain Chocolate Business.

Point of Sale System

You must use a POS System in your Store that you purchase from a designated or approved supplier. As of the date of this Disclosure Document, the POS System consists of workstations consistent with current technology, cash drawers, thermal receipt printers, credit card authorization software, credit card scanners, laser bar code scanners and scales. You must contract with an Internet service provider to facilitate communication between your POS System and our data collection network. The POS System will be delivered to you already configured with proprietary software owned by a third-party supplier. A designated or approved supplier will provide all support, updates and maintenance for your POS System. As of the date of this Disclosure Document, the annual maintenance and support fee ranges from $1,000 to $2,500, depending on the maintenance options you select. You must subscribe to an annual maintenance and support service package from a designated or approved supplier. We may require you to upgrade or update your POS System, which must be done at your sole cost and expense. No contractual limit exists on the frequency or cost of this obligation.

The POS System provides you with detailed information about your sales and retail operation. The POS System also permits us to receive information electronically regarding your Store's sales and other information we may specify. We do not have independent access to your POS System information. There is no contractual limit on our right to receive information from the POS System or by electronic transmission or other means.

In conjunction with the operation of your POS System, you must use a personal computer that is separate from the POS System to communicate with us by email and to support other back-office functions. You must maintain an email account which will be our primary method of communicate with you. You will find it is more convenient to send and receive email messages and track information generated by the POS System on a personal computer. The personal computer must use software compatible with Microsoft products. You must purchase off-the-shelf bookkeeping software that we specify and use it to produce reports submitted to us periodically. We reserve the right to specify different software and to require updates and maintenance of the software. There is no contractual limit on the frequency or cost of this obligation. The total cost of a single POS System, a basic personal computer and specified software is approximately between $7,500 and $12,500.

Training

After you sign the Franchise Agreement and before you open your Rocky Mountain Chocolate Business, you and, if applicable, your manager must complete the initial training program to our satisfaction. We will also provide additional training as we may require for your managers which are solely responsible for opening of additional Rocky Mountain Chocolate Businesses. We do not charge you for this training for up to three individuals. Subject to our capacity and ability to accommodate additional persons, you may have additional individuals beyond the first three attend our initial training program if you pay us our then-current training fee for each additional person. You must pay for travel, living expenses and wages for yourself and all of your employees who attend our initial training program. The initial training program consists of a total of four days of instruction, and all training is conducted in Durango, Colorado, or via webinar or other remote transmission, or at an existing franchised location, at our discretion. The training material consists of written, video, and audiotaped instruction. The initial training program includes hands-on training in a mock retail store in our training center in Durango, Colorado, or via remote transmission, at our discretion. You must complete our initial training program to our satisfaction within 45 days prior to the opening of your Rocky Mountain Chocolate Business. If we determine that you cannot complete our initial training program to our satisfaction, then we may terminate your Franchise Agreement. (Franchise Agreement, Section 18.1)

In addition to the initial training program, we will provide up to five days of opening assistance at your Store near the time that your Rocky Mountain Chocolate Business opens. We do not provide this assistance between approximately December 22nd and January 4th, nor do we offer this training within three days before or after the following holidays: Valentine's Day, Easter, Memorial Day, July Fourth, Labor Day, Thanksgiving and Hanukkah.

As often as annually, we may require you and/or your General Manager (See Item 15 below) to attend in person or via remote transmission, at your expense, a national, regional or local meeting, training seminar or conference that we present for the purpose of discussing a topic such as advertising programs, new operations methods, training, management, sales, or sales promotion, to the extent that we offer any meetings, seminars or conferences. We will notify you of any mandatory meeting 30 days in advance. These meetings vary in location and in length, but you will not be required to attend any meeting in person or via remote transmission for more than three days. In addition, we may require you to attend webinars occasionally. Besides attending these courses, you must attend an annual meeting of all Rocky Mountain Chocolate Factory Business franchisees at a location we designate, if we organize and plan (at our option) an annual meeting. You must pay all costs to attend these online and in-person training courses and meetings. We may also, from time to time, offer non-mandatory training courses for which we reserve the right to charge certain fees for registration and/or tuition.

We hold training classes at our Durango, Colorado corporate facility approximately 8 times per year, at a six-week cadence. You must attend training after you sign the Franchise Agreement and before you open your Store. We plan to provide the training listed in the table below.

TRAINING PROGRAM

Subject	Hours – Classroom Training	Hours – Hands-on Training	Location
Intro to Rocky Mountain Chocolate Factory	2	0	Durango, Colorado
Ordering and Shipping Procedures	.75	0	Durango, Colorado
Accounting Policies	1	0	Durango, Colorado
Product Knowledge	2.5	0	Durango, Colorado
Introduction to Retail	1	0	Durango, Colorado
R & D and Product Evolution	1	0	Durango, Colorado
Production Facility	0	1.5	Durango, Colorado
Inventory Best Practices	1	0	Durango, Colorado
Merchandising	1	0	Durango, Colorado
Cooking	0	16.5	Durango, Colorado
Staffing & Best Practices	1	0	Durango, Colorado
Data Analytics	1	0	Durango, Colorado
Marketing & Digital Resources	1.5	0	Durango, Colorado
Unit Level Profitability	1.5	0	Durango, Colorado

Compliance	.75	0	Virtual
POS	0	.50	Virtual
Total	**16**	**18.5**	

1. We reserve the right to vary the length and content of the initial training program based upon the experience and skill level of the individual attending the initial training program. We will use the Operations Manual as the primary instruction materials during the initial training program.

2. Ms. Kelsey Smith currently oversees our training program. She has 10 years of experience working in the Rocky Mountain Chocolate Factory Business operations and training. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least one year of experience in the subject matters that they teach.

ITEM 12

TERRITORY

Franchise Agreement

You will operate your Rocky Mountain Chocolate Factory Business at a specific location that is referred to as the "**Franchised Location**" in the Franchise Agreement. We must approve your Franchised Location before you sign a Franchise Agreement. The designation of your Franchised Location does not grant you the exclusive right to any particular market or customers. We will grant you "**Protected Territory**." This means that during the term of the Franchise Agreement we will not establish, nor permit anyone else to establish, another Rocky Mountain Chocolate Factory Business within the Protected Territory. The Protected Territory is determined based on the geographic area and populations properties within that area and other relevant demographic characteristics and will typically be a two to three mile radius around your Store. We may not grant you this right if your Rocky Mountain Chocolate Factory Business is located in a metropolitan area (areas in which the population during any 24-hour period exceeds 50,000 persons per square mile). In addition, we may not grant you this right if your Rocky Mountain Chocolate Factory Business will be located in a non-traditional location such as an airport, hotel, convention center, sports arena or stadium, college campus, amusement park, within the premises of another business or a similar venue. You are not prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Protected Territory. If you renew your franchise, your Protected Territory may be modified depending on the then-current demographics of the Territory, and on our then-current standards for territories. We will not grant a Protected Territory for any Satellite Stores or Temporary Stores. 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.

Except as described under the "Development Agreement Rider" section below, you have no options, rights of first refusal, or similar rights to acquire additional franchises within the Protected Territory or in contiguous territories. You may operate your Rocky Mountain Chocolate Factory Business only from the Franchised Location we have approved within the Protected Territory, and you may not relocate your Franchised Location without our prior written approval. If you lose the right to occupy the premises of the Franchised Location through no fault of your own, or if the site for the premises of the Franchised Location is destroyed, condemned, or otherwise rendered unusable, we will allow you to relocate the Franchised

Location to a new site acceptable to us. You must locate a substitute site, and begin operating the Rocky Mountain Chocolate Factory Business from that substitute site, within 180 days after you lose the right to occupy the previous premises of the Franchised Location. Any relocation will be at your sole expense, and we may charge you for the reasonable costs that we incur, plus a fee of $10,000 (as set forth in the Operations Manual) for our services, in connection with any relocation of your Rocky Mountain Chocolate Factory Business. If you have operated your Rocky Mountain Chocolate Factory Business for at least 12 months and you desire to change its Franchised Location, you may send us a written request explaining your reasons and proposing an alternative location. If we approve an alternative location in writing, you must pay us a Design Fee of $5,000, sign our then current form of Franchise Agreement, and you must complete the move and open your new Franchised Location within 12 months from the date the Store at the prior Franchised Location closes. Upon relocation, you may not change the owners or your percentage ownership interests from that of the prior location unless you comply with the transfer provisions in the Franchise Agreement. You must sign the Relocation Amendment to the Franchise Agreement attached to the Franchise Agreement as Exhibit XII if you relocate your Store.

We and our affiliates retain certain rights within and outside the Protected Territory, as described below in this Item. Therefore, 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.

Except as limited below, as long as you are in full compliance with the Franchise Agreement, then we and our affiliates will not operate or grant a franchise for the operation of a Rocky Mountain Chocolate Factory Business at a location in the Protected Territory during the term of your Franchise Agreement. Otherwise, we and our affiliates retain all rights with respect to Rocky Mountain Chocolate Factory Businesses, the Marks, the sale of identical, similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to: (1) to use, and to license others to use, the Marks and Licensed Methods for the operation of Rocky Mountain Chocolate Factory Businesses, including Kiosk Stores, Satellite Stores and Temporary Stores, at any location other than at the Franchised Location and regardless of the proximity to the Franchised Location; (2) to use the Marks and Licensed Methods to identify services and products, promotional and marketing efforts or related items, and to identify products and services similar to or the same as those which you will sell, but made available through alternative channels of distribution other than through traditional Rocky Mountain Chocolate Factory Businesses, at any location other than at the Franchised Location and regardless of the proximity to the Franchised Location, including, but not limited to, through Satellite Stores, Temporary Stores, Kiosk Stores, co-branded Stores, by way of mail order (including email orders), electronic ordering for pick-up at the Franchised Location or delivery to a local customer, offers and sales on websites and other internet platforms, and Electronic Advertising as defined in the Franchise Agreement, which includes blogs and social media such as Facebook, Instagram, X, TikTok and LinkedIn, by way of catalogs, telemarketing, other direct marketing methods, television, retail store displays or through the wholesale sale of products to unrelated retail outlets or to candy distributors or outlets located in "Captive Audience Facilities" defined below; (3) to use and license the use of proprietary marks or methods other than the Marks and Licensed Methods in connection with the sale of products and services similar or dissimilar to those which you will sell, in alternative channels of distribution or in connection with the operation of retail stores selling premium chocolates or other premium confectionery products, at any location other than at the Franchised Location, which stores are the same as, or similar to, or different from a traditional Rocky Mountain Chocolate Factory Business, a Kiosk Store, or a Satellite Store or a Temporary Store, on any terms and conditions as we deem advisable, and without granting you any rights in them; (4) to use and license others to use the Marks and Licensed Methods at any location in connection with the operation of Stores within "**Captive Audience Facilities**" which are defined as facilities where people are congregating for a primary purpose unrelated to the Store business, creating significant foot

traffic in the facility, including, without limitation, airports and other transportation hubs, hospitals, college campuses, convention centers, grocery stores, sports arenas, stadiums, department stores, resorts and hotels, within office buildings, town centers and "big box" retail centers, military bases, or casinos; (5) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, under the Marks and on any terms and conditions Franchisor deems appropriate; (6) the right to acquire the assets or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Rocky Mountain Chocolate Factory Businesses, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; and (7) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Rocky Mountain Chocolate Factory Businesses, or by another business, even if such business operates, franchises and/or licenses competitive businesses. We and our affiliates reserve the right to contract with Captive Audience Facilities to develop and operate Stores within these facilities.

We may exercise any of the retained rights without compensating you.

You may not use other channels of distribution to make sales at your Store, such as the Internet or any other form of electronic commerce, catalog sales, telemarketing, or other direct marketing to make sales inside or outside the Territory. You may not operate your Store away from the Franchised Location unless you have received our prior express written approval to operate a Satellite Store or Temporary Store.

You may advertise your Rocky Mountain Chocolate Factory Business anywhere, provided that you receive our prior approval of all advertising and you do not violate the terms of any national, regional or co-op advertising group of Rocky Mountain Chocolate Factory Businesses. Other Rocky Mountain Chocolate Factory franchisees have the same rights to advertise.

Your continuation of the right to operate the Store during the term of the Franchise Agreement does not depend on the achievement of any certain sales volume, market penetration or similar contingency.

Development Agreement Rider

You may (if you qualify) develop and operate a number of Rocky Mountain Chocolate Factory Businesses within the Development Area. We and you will identify the Development Area in the Development Agreement Rider before signing it. The Development Area typically is defined as a physical geographic area, city, cities, counties or zip codes. We base the Development Area's size primarily on the number of Rocky Mountain Chocolate Factory Businesses you agree to develop, population, demographics, and site availability. We and you will negotiate the number of Rocky Mountain Chocolate Factory Businesses you must develop to keep your development rights and the dates by which you must develop them. We and you then will complete the schedule in the Development Agreement Rider before signing it. The Development Agreement Rider provides us the right to approve the location of future Rocky Mountain Chocolate Factory Businesses to be developed in the Development Area in accordance with our then-current site selection criteria for Rocky Mountain Chocolate Factory Businesses. While the Development Agreement Rider is in effect, we (and our affiliates) will not establish or operate, or grant to others the right to establish or operate, other Rocky Mountain Chocolate Factory Businesses, the physical premises of which are located within the Development Area. There are no other restrictions on us (or our affiliates). You must not develop or operate Rocky Mountain Chocolate Factory Businesses outside the Development Area. We may terminate the Development Agreement Rider if you do not satisfy your development obligations when required. In addition, if you fail to comply with the terms of the Development Agreement Rider during its term, we may, at our option, elect to terminate only the exclusivity of the Development

Area instead of terminating the Development Agreement Rider entirely. This means that during the remainder of the term of the Development Agreement Rider, we and our affiliates will have the right to establish and operate, and grant to others the right to establish and operate, Rocky Mountain Chocolate Factory Businesses the physical premises of which are located within the Development Area and continue to engage, and grant to others the right to engage, in any activities that we (and they) desire within the Development Area without any restrictions. However, our termination of the exclusivity will be without prejudice to our right to later terminate the Development Agreement Rider for the same default or any other defaults under the Development Agreement Rider.

Despite the development schedule under the Development Agreement Rider, we may delay your development of additional Rocky Mountain Chocolate Factory Businesses within the Development Area for the time period we deem best if we believe, when you apply for the next Rocky Mountain Chocolate Factory Business, that you are not yet operationally, managerially, or otherwise prepared (due to the particular amount of time that has elapsed since you developed and opened your most recent Rocky Mountain Chocolate Factory Business) to develop, open and/or operate the additional Rocky Mountain Chocolate Factory Businesses according to our standards and specifications. We may delay additional development as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the Development Schedule (unless we are willing to extend the schedule to account for the delay).

Except as described above, we may not alter your Development Area during the Development Agreement Rider's term.

ITEM 13

TRADEMARKS

The Marks and the System are owned by us. No agreement significantly limits our right to use or license the Marks in any manner material to the in any manner material to the Rocky Mountain Chocolate Factory Franchise. You may also use other future trademarks, service marks, and logos we approve to identify your Rocky Mountain Chocolate Factory Franchise. We have registrations with the United States Patent and Trademark Office ("**USPTO**") for the following Marks:

Trademark	Registration Number	Date of Registration	Status
	1,719,198	September 22, 1992	Registered on the Principal Register
	3,895,990	December 28, 2010	Registered on the Principal Register
ROCKY POP POPCORN	6,392,409	June 22, 2021	Registered on the Principal Register

Trademark	Registration Number	Date of Registration	Status
ROCKY MOUNTAIN CHOCOLATE FACTORY	2,015,284	November 12, 1996	Registered on the Principal Register
RMCF	2,224,174	February 16, 1999	Registered on the Principal Register
	6,195,628	November 10, 2020	Registered on the Principal Register
ROCKY POP	6,047,819	May 5, 2020	Registered on the Principal Register
BROWN BEAR	6,073,772	June 9, 2020	Registered on the Principal Register
WHITE BEAR	6,073,782	June 9, 2020	Registered on the Principal Register
ROCKY MOUNTAIN MINTS	2,289,172	October 26, 1999	Registered on the Principal Register
THE WORLD'S CHOCOLATIER	2,633,793	October 15, 2022	Registered on the Principal Register
CHOCOLATE FACTORY	3,337,621	November 20, 2007	Registered on the Principal Register
DARK BEAR	3,011,873	November 1, 2005	Registered on the Principal Register
ROCKY MOUNTAIN CHOCOLATE FACTORY	1,722,817	October 6, 1992	Registered on the Principal Register
	1,718,498	September 22, 1992	Registered on the Principal Register
AMERICA'S CHOCOLATIER	2,293,996	November 23, 1999	Registered on the Principal Register
	6,392,410	June 22, 2021	Registered on the Principal Register
THE PEAK OF PERFECTION IN HANDMADE CHOCOLATES	6,205,393	November 24, 2020	Registered on the Principal Register

Trademark	Registration Number	Date of Registration	Status
	3,205,870	February 6, 2007	Registered on the Principal Register
ROCKY MOUNTAIN CRISP	2,976,323	July 26, 2005	Registered on the Principal Register
ROCKY MOUNTAIN CHOCOLATE FACTORY	1,552,146	August 15, 1989	Registered on the Principal Register

We have also applied to register the following trademark with the USPTO:

Mark	Serial No.	Filing Date	Status
	98,874,160	November 26, 2024	Pending on the Principal Register

We do not have a federal registration for our principal trademark (Serial No. 98,874,160) listed above. Therefore, our trademark does not have as many legal benefits and rights as a federally-registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We have filed all required affidavits and renewals for the Marks above. You must follow our rules when you use the Marks. You may not use the phrase, an abbreviation or any of the words "Rocky Mountain Chocolate Factory" in the legal name of your Business Entity.

You must modify or discontinue your use of a Mark if we require you to modify or discontinue it, at your own expense. We do not allow you to use or register any domain names or use the Internet, including blogs and social media, to market or promote your Rocky Mountain Chocolate Factory Business, or any products sold in or through your Store without our prior written approval.

There are no presently effective determinations of the United States Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or material litigation involving the principal Marks. We do not know of any infringing uses that could materially affect your use of the Marks.

No agreements limit our right to use or license the use of the Marks. We entered into an agreement with a third party allowing us to register the mark "CHOCOLATE FACTORY," for retail store services and we allowed the third party to register "THE CHOCOLATE FACTORY" for cookbooks in May 2007.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not obligated to protect you against claims of infringement or unfair competition related to your use of the Marks, but it is our policy to do so when, in the opinion of our legal counsel, your right to use the Marks requires protection. In this case, we will pay all costs, including attorneys' fees and court costs, associated with any action or litigation required to defend or protect your authorized use of the Marks. You must cooperate with us in any such action or litigation.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

The information in the Operations Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the ingredients and formula of our products and recipes, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Operations Manual, our advertising materials, the content and format of our products or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information ("Copyrighted Works") for the operation of Rocky Mountain Chocolate Factory Businesses, but such copyrights remain our sole property.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using our Copyrighted Works.

Our Operations Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation and franchising of Rocky Mountain Chocolate Factory Businesses, our training materials and techniques, information concerning product and service ingredients, preparation, and sales, operating results, financial performance and other financial data of Rocky Mountain Chocolate Factory Businesses and other related materials are proprietary and confidential ("Confidential Information") and are our property to be used by you only as described in the Franchise Agreement and the Operations Manual. Where appropriate, certain information has also been identified as trade secrets ("Trade Secrets"). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Rocky Mountain Chocolate Factory Business during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Rocky Mountain Chocolate Factory Businesses during the term of the Franchise Agreement.

You must notify us within three business days after you learn about another's use of language, a visual image or a recording of any kind that you perceive to be identical or substantially similar to one of

our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us, our counsel or our designees regarding any infringement, challenge or claim. We will take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign any and all instruments and documents, give the assistance and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets. No patents or patents pending are material to us at this time.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You (or your managing partner or principal shareholder) are not required to participate personally in the direct on-premises operation of your Store although we strongly urge you to do so. If you (or your managing partner or principal shareholder) do not participate in the day-to-day operation of the Store, you must designate a manager ("**General Manager**") to be responsible for the direct on-premises supervision of the Store at all times during its hours of operation. If you are a Business Entity, we do not require that your General Manager own an equity interest in you. You (or your managing partner or principal shareholder) or, if applicable, the General Manager, must successfully complete our mandatory initial training program. You and your managers must enter into a confidentiality and noncompetition agreement with us (Exhibit VI to Franchise Agreement). Other than the foregoing, we make no recommendations and have no requirements regarding employment or other written agreements between you and your employees.

We require each of your officers, directors, principal shareholders, partners and/or members to sign an agreement (Exhibit II to Franchise Agreement) personally guaranteeing and agreeing to perform all of your obligations under the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale only those products and services authorized by us, and which meet our standards and specifications. Authorized products may differ among our franchisees and may vary depending on the operating season and geographic location of your Rocky Mountain Chocolate Factory Business or other factors. You must follow our policies, procedures, methods and techniques. You must sell or offer for sale all types of products and services specified by us and in the proportions we require as stated in the Operations Manual. We may change or add to our required products and services, at our discretion, with prior notice to you. If we change or add to our required products and services, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for

the changes or additions will depend upon the nature and type of changes or additions. There are no limitations on our rights to make changes to the required products and services offered by you. You must discontinue selling and offering for sale any products and services that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

You may not establish an account or participate in any social networking sites, crowdfunding campaigns or blogs or mention or discuss the Rocky Mountain Chocolate Franchise, us or any of our affiliates without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may not sell products through other channels of distribution such as wholesale, Internet or mail order sales. Otherwise, we place no restrictions upon your ability to serve customers, provided you do so from the location of your Rocky Mountain Chocolate Factory Business in accordance with our policies

You must obtain our consent in writing before you operate food carts, participate in food festivals or offer any other type of off-site services using our Marks and Licensed Methods. See Exhibits VIII (Satellite Store) and IX (Temporary Store) to the Franchise Agreement. You will also offer gift cards through our Gift Card Program. If you choose not to participate in one of our Optional Programs or you for any reason lose your authorization to do so, or you are not eligible to participate based on a supplier's requirements, you may not offer to sell the products, supplies or services subject to that Optional Program.

You must not offer any other type of product or service, or operate or engage in any other type of business or profession, from or through your Franchised Location, including offering candy classes or filling "wholesale orders," which we define in the Franchise Agreement as those orders or sales where the principal purpose of the purchase is for resale, not for consumption, or any sale other than over-the-counter sales at a price other than the price charged to the general public.

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	Section 17.1 of Franchise Agreement	10 years
	Development Agreement Rider	Term of Development Agreement Rider depends on development obligations.

Provision		Section in Franchise or Other Agreement	Summary
(b)	Renewal or extension of the term	Section 17.2 and 17.3 of Franchise Agreement	Up to two extensions of 5 years each.
		Development Agreement Rider	No renewal or extension of Development Agreement Rider.
(c)	Requirements for franchisee to renew or extend	Section 17.2 of Franchise Agreement	Pay fee, sign a general release, maintain possession of and upgrade and/or remodel the Store and sign then current franchise agreement with addendum attached as Exhibit X to the franchise agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract if you choose to renew.
(d)	Termination by franchisee	Not Applicable	Not Applicable (subject to state law)
(e)	Termination by franchisor without cause	Not Applicable	Not Applicable
(f)	Termination by franchisor with cause	Sections 18.1 and 18.2 of Franchise Agreement	We can terminate only if you commit any one of several listed violations.
		Section 8 of Development Agreement Rider	Termination of the Development Agreement Rider will not result in termination of any then effective Franchise Agreements for your Stores already in operation.
(g)	"Cause" defined – curable defaults	Sections 18.2 of Franchise Agreement	You have 30 days to cure a default of any other provision of Franchise Agreement not listed in (h) below, or of the Operations Manual.
(h)	"Cause" defined – non-curable defaults	Section 18.1 of Franchise Agreement	Non-curable defaults include: having made a material misrepresentation or omission in acquiring or operating your Rocky Mountain Chocolate Factory Business, failing to open the Franchised Location within 270 days, failing to complete training, assignment for benefit of creditors, inability to pay debts, bankruptcy (this provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)), reorganization, liquidation, dissolution, receivership, certain unreversed judgments, abandonment, making an unauthorized transfer, failing to permit us to inspect your Store, conviction of (or pleading no contest to) a felony, crime involving moral turpitude, or other crime, making an unauthorized representation or warranty on our behalf, unauthorized use or disclosure of the Operations Manual or other confidential information, failure to pay fees, etc. to us after 10 days' notice to you, failure to cure any health, safety or sanitation law, ordinance, or

Provision	Section in Franchise or Other Agreement	Summary
		regulation regulating the operation of your Store within 72 hours after notice to you, repeated defaults of your franchise agreement.
	Section 8 of Development Agreement Rider	We may terminate the Development Agreement Rider if you do not meet development schedule or other obligations; if the Franchise Agreement or any other franchise agreement between us and you (or your affiliated entity) is terminated by us for cause or by you for any or no reason; or we have delivered formal notice of default to you (or your affiliated entity) under the Franchise Agreement or another franchise agreement (whether or not default is cured).
(i) Franchisee's obligations on termination/nonrenewal	Section 18.5 of Franchise Agreement	Pay outstanding amounts, de-identify Store, transfer telephone number, no use of our trade secrets or proprietary materials, return confidential information, covenant not to compete, sign general release attached as Exhibit H (see also r).
(j) Assignment of contract by franchisor	Section 16.6 of Franchise Agreement	No restriction on our right to assign.
(k) "Transfer" by franchisee – definition	Section 16.1 of Franchise Agreement	Includes transfer of Franchise Agreement, your Store (or its profits, losses or capital appreciation), sale of operating assets of the Store, and ownership or control change in you or your owners.
(l) Franchisor approval of transfer by franchisee	Section 16.3 of Franchise Agreement	We have the right to approve all transfers.
	Section 9 of Development Agreement Rider	Your development rights under the Development Agreement Rider are not assignable at all

Provision		Section in Franchise or Other Agreement	Summary
(m)	Conditions for franchisor approval of transfer	Section 16.2 of Franchise Agreement	You must have complied with Franchise Agreement and Operations Manual, transferee must qualify, you must pay all amounts due in full, you or the qualified transferee must pay transfer fee upon approval of the transferee's franchise application, the purchase price and payment terms must not adversely affect transferee's operation of the franchised location, transferee, its owners and/or affiliates must not have an ownership interest in or perform services for a competitive business, transferee must sign then current franchise agreement and the transfer amendment to the franchise agreement attached as Exhibit XI to the franchise agreement, your lessor must have consented to the transfer of the lease or sublease of the franchised location to the transferee, and you must sign a general release, attached as Exhibit H to this Disclosure Document.
(n)	Franchisor's right of first refusal to acquire franchisee's business	Section 16.4 of Franchise Agreement	We may match any offer.
(o)	Franchisor's option to purchase franchisee's business	Section 18.4 of Franchise Agreement	We may offer to buy your Store or just your Store assets.
(p)	Death or disability of franchisee	Section 16.7 of Franchise Agreement	Transfer must occur within 120 days.
(q)	Non-competition covenants during the term of the franchise	Section 20.1 of Franchise Agreement	No involvement in competing business.
(r)	Non-competition covenants after the franchise is terminated or expires	Section 20.2 of Franchise Agreement	No involvement in competing business.
(s)	Modification of the agreement	Section 22.3 of Franchise Agreement	No modifications generally but Operations Manual may change.
(t)	Integration/merger clause	Section 22.4 of Franchise Agreement	Only terms of Franchise Agreement are binding (subject to state law). Nothing in Franchise Agreement is meant to disclaim any representation made in this Disclosure Document, its attachments or addenda.

Provision	Section in Franchise or Other Agreement	Summary
(u) Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable, with exceptions. In California, Idaho, Illinois, Iowa, Minnesota, Rhode Island and South Dakota, most disputes must be submitted to non-binding arbitration before either party can pursue a civil action against the other.
(v) Choice of forum	Section 22.1 of Franchise Agreement	Litigation in LaPlata County, Colorado (subject to state law).
(w) Choice of law	Section 22.1 of Franchise Agreement	Colorado law applies (subject to state law).

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in this 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.

As of February 28, 2025, we had a total of 138 franchised Rocky Mountain Chocolate Businesses ("Franchised Locations"), and two affiliate-owned Rocky Mountain Chocolate Businesses ("Affiliate Locations"). The information in the tables below is a historical financial performance representation of the 134 Franchised Locations that were in operation for 12 months or longer as February 28, 2025 ("Reporting Group") for the 2025 fiscal year (March 1, 2024 to February 28, 2025) ("Reporting Period"). The numbers below have not been audited, but we have no reason to doubt their accuracy.

All of the Rocky Mountain Chocolate Factory Businesses included in this financial performance representation offer similar services and face a similar degree of competition anticipated for the Rocky Mountain Chocolate Factory Businesses offered under this Disclosure Document.

We divided the Reporting Group into four quartiles based on their level of Gross Retail Sales (defined below).

GROSS RETAIL SALES PER STORE SQUARE FOOT FOR THE REPORTING PERIOD

	No. of Stores	Total Gross Retail Sales	Total Square Footage	Average Sales/Sq Ft	Median Sales/Sq Ft	Highest Sales/Sq Ft	Lowest Sales/Sq Ft	#/% That Met Or Exceeded The Average
1st Quartile	33	$32,757,575	24,059	$1,522	$1,100	$6,973	$803	33/100%
2nd Quartile	34	$21,879,954	32,965	$671	$650	$786	$558	11/32%
3rd Quartile	34	$16,439,412	36,203	$545	$457	$557	$369	0/0%
4th Quartile	33	$11,102,001	44,711	$261	$262	$367	$59	0/0%
All Stores	134	$82,232,941	137,938	$726	$557	$6,973	$59	44/33%

EXPLANATORY NOTES

1. "**Gross Retail Sales**" is receipts and income of any kind from all products or services sold from or through the Rocky Mountain Chocolate Factory Business, including any such sale of products or services made for cash or upon credit, or partly for cash and partly for credit, regardless of collection of charges for which credit is given, less returns for which refunds are made, provided that the refund may not exceed the sales price and exclusive of discounts, sales taxes and other taxes, amounts received in settlement of a loss of merchandise, shipping expenses paid by the customer, revenue from the sale of gift cards and revenue from sales of non-inventory items.

2. Differences in Gross Retail Sales may be attributable to differences in the mix of Durango Product, Store Made Product or other non-edible items offered for sale at each Store, which is subject, in part, to the Franchisee's discretion. Other differences may be attributed to the site selection and corresponding level of customer traffic.

3. The above information was prepared from royalty reports and sales data provided by each individual franchisee. A franchisee pays us a royalty based on sales. We know of no instance, and have no reason to believe, that any franchisee would overstate its level of sales receipts in its royalty report, however, these results have not been audited and we have not independently verified these results.

4. The gross sales figures do not reflect the costs of sales, operating expenses, taxes, refunded sales, settlements, non-inventory sales or shipping expenses charged to a customer that must be deducted from the gross sales figures to obtain net income, profit or loss. We do not disclose information about expenses or costs. You should conduct an independent investigation of the costs and expenses you will incur in operating your Rocky Mountain Chocolate Factory Business. We recommend that you consult with an accountant to assist you in your investigation of costs and expenses. Franchisees or former franchisees listed in this disclosure document may be one source of this information.

Some stores have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

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

Other than the preceding financial information, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. If you are purchasing an existing store, however, we may provide you with the actual records of that store. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Brooke Lanier, at Rocky Mountain Chocolate Factory, 265 Turner Drive, Durango, Colorado 81303, (970) 247-4943 ext. 143, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

SYSTEMWIDE OUTLET SUMMARY
FOR FISCAL YEARS 2023 TO 2025(1)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	154	53	-1
	2024	153	149	-4
	2025	149	138	-11
Company- Owned	2023	2	1	-1
	2024	1	2	+1
	2025	2	2	0
Total Outlets	**2023**	**157**	**155**	**-2**
	2024	**155**	**151**	**-4**
	2025	**151**	**140**	**-11**

(1) The numbers for 2025 are as of the fiscal year ending February 28, 2025, the numbers for 2024 are as of the fiscal year ending February 29, 2024, and the numbers for 2023 are as of the fiscal year ending February 28, 2023. We have not included three international locations in the Republic of the Philippines.

Table No. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR) FOR YEARS 2023 TO 2025[1]

State	Year	Number of Transfers
California	2023	3
	2024	2
	2025	3
Colorado	2023	2
	2024	1
	2025	3
Illinois	2023	1
	2024	0
	2025	0
Minnesota	2023	0
	2024	1
	2025	0
Missouri	2023	0
	2024	1
	2025	0
New Jersey	2023	0
	2024	1
	2025	0
North Carolina	2023	1
	2024	0
	2025	0
Ohio	2023	1
	2024	0
	2025	0
Texas	2023	1
	2024	1
	2025	1
Totals	**2023**	**9**
	2024	**7**
	2025	**7**

(1) The numbers for 2025 are as of the fiscal year ending February 28, 2025, the numbers for 2024 are as of the fiscal year ending February 29, 2024, and the numbers for 2023 are as of the fiscal year ending February 28, 2023.

(2) The numbers for 2023, 2024 and 2025 do not include familial transfers.

Table No. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2023 TO 2025[1]

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Arizona	2023	8	0	0	0	0	0	8
	2024	8	0	0	0	0	1	7
	2025	7	1	0	0	0	0	8
Arkansas	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
California	2023	42	0	0	0	0	3	39
	2024	39	0	0	0	0	1	38
	2025	38	0	1	0	0	0	37
Colorado	2023	19	1	0	0	0	1	19
	2024	20	0	0	0	0	1	19
	2025	19	0	1	0	0	0	18
Florida	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Idaho	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	1	0	0	0	1
Illinois	2023	8	1	0	0	0	1	8
	2024	8	0	0	0	0	0	8
	2025	8	0	2	0	0	0	6
Iowa	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
	2025	2	0	1	0	0	0	1
Kansas	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Louisiana	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Michigan	2023	4	0	0	0	0	0	4
	2024	4	1	0	0	0	0	5
	2025	5	0	1	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Minnesota	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Mississippi	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	1	2
	2025	2	0	0	0	0	0	2
Missouri	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Nevada	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	1	4
	2025	4	0	1	0	0	0	3
New Hampshire	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	1	0	0	0	0
New Jersey	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
New Mexico	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
North Carolina	2023	9	0	0	0	0	0	9
	2024	9	1	0	0	0	0	10
	2025	10	0	1	0	0	0	9
Ohio	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	1	1
	2025	1	0	0	0	0	0	1
Oklahoma	2023	2	0	1	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	1	0	0	0	0	2
Oregon	2023	3	0	0	0	0	0	3
	2024	3	1	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Pennsylvania	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
South Dakota	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Tennessee	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Texas	2023	16	1	0	0	0	0	17
	2024	17	0	0	0	1	0	16
	2025	16	0	2	0	0	0	14
Utah	2023	7	2	0	0	0	0	9
	2024	9	0	0	1	0	0	8
	2025	8	0	0	0	0	0	8
Washington	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	1	2
	2025	2	0	1	0	0	0	1
Totals	**2023**	**154**	**6**	**1**	**0**	**0**	**6**	**153**
	2024	**153**	**5**	**0**	**1**	**1**	**7**	**149**
	2025	**149**	**2**	**13**	**0**	**0**	**0**	**138**

(1) The numbers for 2025 are as of the fiscal year ending February 28, 2025, the numbers for 2024 are as of the fiscal year ending February 29, 2024, and the numbers for 2023 are as of the fiscal year ending February 28, 2023. Annual totals omit three international locations in the Republic of the Philippines.

Table No. 4

STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2023 TO 2025(1)

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired by Franchisor	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Colorado	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1

Illinois	2023	1	0	0	0	1	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0
Texas	2023	0	0	0	0	0	0
	2024	0	0	1	0	0	1
	2025	1	0	0	0	0	1
Totals	**2023**	**2**	**0**	**0**	**0**	**1**	**1**
	2024	**1**	**0**	**1**	**0**	**0**	**2**
	2025	**2**	**0**	**0**	**0**	**0**	**2**

(1) The numbers for 2025 are as of the fiscal year ending February 28, 2025, the numbers for 2024 are as of the fiscal year ending February 29, 2024, and the numbers for 2023 are as of the fiscal year ending February 28, 2023.

Table No. 5

PROJECTED NEW FRANCHISED OUTLETS
AS OF FEBRUARY 28, 2025

State	Franchise Agreements Signed but Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	1
Colorado	0	1	0
Florida	1	0	0
Georgia	0	2	0
Illinois	1	1	0
Minnesota	0	1	0
Nevada	0	2	0
New Jersey	0	2	0
New York	0	3	0
South Carolina	1	0	0
Utah	0	1	0
TOTALS	**3**	**14**	**0**

A list of names of all of our franchisees and the addresses and telephone numbers of their Stores is attached as Exhibit D to this Disclosure Document. A list of the names, cities, states and last known telephone numbers of the franchisees who have had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our fiscal year ending February 28, 2025 or who have not communicated with us within 10 weeks of the date of this Disclosure Document is attached as Exhibit E to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Rocky Mountain Chocolate Factory franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

No independent franchisee organizations have asked to be included in this Disclosure Document. As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with the franchise system that have been created, sponsored or endorsed by us.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document in Exhibit F are (i) our consolidated audited financial statements as of and for the fiscal years ended February 28, 2025 and February 29, 2024, which have been taken from our 10-K Annual Report for 2025; and (ii) our consolidated audited financial statements as of and for the fiscal years ended February 29, 2024 and February 28, 2023, which have been taken from our 10-K Annual Report for 2024.

Parent absolutely and unconditionally guarantees to assume our duties and obligations under the Franchise Agreement should we become unable to perform our duties and obligations under the Franchise Agreement. Parent's Guarantee of Performance is included in Exhibit F. Our fiscal year ends the last day of February.

ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following franchise-related contracts:

Exhibit B	Franchise Agreement
Exhibit C	Development Agreement Rider
Exhibit H	General Release
Exhibit I	State Addenda and Agreement Riders
Exhibit J	Closing Acknowledgement

ITEM 23

RECEIPTS

The last page of the Disclosure Document (following the exhibits and attachments) is a document acknowledging receipt of the Disclosure Document by you (one copy for you and one to be signed for us).

EXHIBIT A

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

California

Commissioner of the Department of Financial Protection and Innovation
Toll Free: 1 (866) 275-2677

Los Angeles

320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

2101 Arena Boulevard
Sacramento, California 95834
(916) 327-7585

San Diego

1455 Frazee Road, Suite 315
San Diego, California 92108
(619) 610-2093

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8565

Hawaii

Commissioner of Securities
Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2744

Illinois

Chief – Franchise Bureau
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

Indiana

(for service of process)
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)
Indiana Secretary of State
Indiana Securities Commission
Franchise Section
302 West Washington Street,
Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

Maryland

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

(for service of process)
Maryland Securities Commissioner
at the Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Michigan

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
G. Mennen Williams Building, 1st Floor
525 W. Ottawa Street
Lansing, Michigan 48913
(517) 335-7567373-7117

Minnesota

Minnesota Department of Commerce
85 7th Place East, Suite 280
Saint Paul, Minnesota 55101
(651) 539-1600

New York

(for service of process)
Attention: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Ave., 6th Floor
Albany, New York 12231-0001
(518) 473-2492

(for other matters)
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10271-0332
(212) 416-8222

North Dakota

(state agency)
North Dakota Securities Department
600 East Boulevard Avenue State Capitol
14th Floor
Bismarck, North Dakota 58505-0510
(701) 328-2910

(for service of process)
Securities Commissioner
600 East Boulevard Avenue State Capitol
14th Floor
Bismarck, North Dakota 58505-0510
(701) 328-2910

Oregon

Dept. of Consumer & Business Services
Division of Finance and Corporate Securities
350 Winter Street NE, Room 410
Salem, Oregon 97301-3881
(503) 378-4140

Rhode Island

Division of Securities
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 222-3048

South Dakota

Department of Labor and Regulation
Division of Insurance – Securities Regulation
124 S. Euclid, 2nd Floor
Pierre, South Dakota 57501
(605) 773-3563

Virginia

(for service of process)
Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street
9th Floor
Richmond, Virginia 23219
(804) 371-9051

Washington

(for service of process)
State of Washington
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

(for other matters)
Department of Financial Institutions
Securities Division
P. O. Box 41200
Olympia, Washington 98504-1200
(360) 902-8760

Wisconsin
Commissioner of Securities
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-0448

EXHIBIT B

FRANCHISE AGREEMENT

EXHIBIT B
(TO DISCLOSURE DOCUMENT)

ROCKY MOUNTAIN CHOCOLATE FACTORY

FRANCHISE AGREEMENT

Franchisee: _____

Date: _____

Franchised Location: _____

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VII. Franchise Addendum to Lease
VIII. Addendum to Franchise Agreement – Satellite Store
IX. Addendum to Franchise Agreement – Temporary Store
X. Amendment to Franchise Agreement - Renewal
XI. Amendment to Franchise Agreement - Transfer
XII. Amendment to Franchise Agreement - Relocation

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT

THIS AGREEMENT (the "**Agreement**") is made this ___ day of_____, 20 ___, by and between ROCKY MOUNTAIN CHOCOLATE FACTORY, INC., a Colorado corporation, located at 265 Turner Drive, Durango, Colorado 81303 (the "**Franchisor**") and _____, located at _____(the "**Franchisee**"), who, on the basis of the following understandings and agreements, agree as follows:

1. PURPOSE

1.1 The Franchisor has developed (and continues to develop and modify) methods for establishing, operating and promoting retail stores selling premium chocolates and other premium confectionery products ("**ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses**" or "**Businesses**") using the service mark "ROCKY MOUNTAIN CHOCOLATE FACTORY" and related trade names and trademarks ("**Marks**") and the Franchisor's proprietary methods of doing business (the "**Licensed Methods**").

1.2 The Franchisor grants the right to others to develop and operate ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, under the Marks and pursuant to the Licensed Methods.

1.3 The Franchisee desires to establish one ROCKY MOUNTAIN CHOCOLATE FACTORY Business at a location identified herein or to be later identified, and the Franchisor desires to grant the Franchisee the right to operate one ROCKY MOUNTAIN CHOCOLATE FACTORY Business at such location under the terms and conditions which are contained in this Agreement.

2. GRANT OF FRANCHISE

2.1 **Grant of Franchise**. The Franchisor grants to the Franchisee, and the Franchisee accepts from the Franchisor, the right to use the Marks and Licensed Methods in connection with the establishment and operation of one ROCKY MOUNTAIN CHOCOLATE FACTORY Business, at the location described in Article 3 of this Agreement. The Franchisee agrees to use the Marks and Licensed Methods, as they may be changed, improved, and further developed by the Franchisor from time to time, only in accordance with the terms and conditions of this Agreement.

2.2 **Scope of Franchise Operations**. The Franchisee agrees at all times to faithfully, honestly and diligently perform the Franchisee's obligations hereunder, and to continuously exert best efforts to promote the ROCKY MOUNTAIN CHOCOLATE FACTORY Business. The Franchisee agrees to utilize the Marks and Licensed Methods to operate all aspects of the business franchised hereunder in accordance with the methods and systems developed and prescribed from time to time by the Franchisor, all of which are a part of the Licensed Methods. The Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business shall offer such products and services as the Franchisor shall designate and shall be restricted from manufacturing, offering or selling any products or services not previously approved by the Franchisor in writing. The Franchisee is required to devote the minimum retail display space specified in the Operations Manual to ROCKY MOUNTAIN CHOCOLATE FACTORY brand assorted bulk chocolates and boxed and packaged candies. The Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business must feature ROCKY MOUNTAIN CHOCOLATE FACTORY brand candy manufactured by the Franchisor or its designees and sold by the Franchisor ("**Durango Product**") and related non-confectionery items ("**Items**") approved by the Franchisor in writing. Depending on the retail environment and the configuration of the Business, the Franchisor may, in its sole discretion, allow the Franchisee to make, offer

and sell confections made in the Business, including candy-coated apples ("**Store Made Product**") prepared in accordance with recipes and processes set forth in the Operations Manual, as that term is defined in Section 8.1. Some Businesses do not offer Store Made Products.

3. FRANCHISED LOCATION

3.1 Franchised Location. The Franchisee is granted the right and franchise to own and operate one ROCKY MOUNTAIN CHOCOLATE FACTORY Business at the address and location which shall be set forth in Exhibit I, attached hereto ("**Franchised Location**"). If the Franchisee and the Franchisor have not agreed upon an approved location for the Franchised Location before signing this Agreement, then the Franchisee is responsible for selecting the site for the Franchised Location. The Franchisee agrees to send the Franchisor a description of the proposed site, including a summary of the criteria the Franchisor specifies, along with a letter of intent or other evidence confirming the Franchisee's favorable prospects for obtaining the proposed site. The Franchisor will use reasonable efforts to approve or disapprove the proposed site within 30 days after receiving the Franchisee's written proposal. Upon the Franchisor's approval of a site, and after the Franchisee secures the site, the Franchisor will insert its address into Exhibit I, and it will be the Franchised Location. The type of Business configuration shall also be set forth in Exhibit I, attached hereto. Smaller Businesses, regardless of their configuration, are referred to as "**Kiosks**" or "**Kiosk Businesses**" in this Agreement and all references to "Businesses" shall be deemed to include Kiosk Businesses. The Marks and Licensed Methods are licensed to the Franchisee for the operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business only at the Franchised Location; therefore, the Franchisee may not operate temporary food carts, participate in food festivals or offer any other type of off-site food services using the Marks and Licensed Methods without the prior written consent of the Franchisor, in which case the Franchisor and the Franchisee shall execute an addendum to this Agreement relating to the operation of "**Satellite Businesses**" (if this Agreement governs the operation of a traditional Business, any Satellite Business(es) shall be governed by separate Franchise Agreements) or "**Temporary Businesses**."

The Franchisee acknowledges and agrees that, if Franchisor suggested, approved, or gave the Franchisee information regarding a location for the Franchised Location, Franchisor's action is not a representation, promise or warranty of any kind, express or implied, of the location's suitability for a ROCKY MOUNTAIN CHOCOLATE FACTORY Business or any other purpose or that Franchisee's Franchised Location will achieve a certain sales volume or a certain level of profitability at the location. Similarly, Franchisor's approval of a location for the Franchised Location and Franchisor's rejection of other locations is not a representation, promise or warranty of any kind, express or implied, that an approved location will have a higher sales volume or be more profitable than a location which Franchisor did not approve. Franchisor's action indicates only that it believes that the location meets Franchisor's then acceptable criteria. Applying criteria that have appeared effective with other locations and premises might not accurately reflect the potential for all locations and premises, and demographic and/or other factors included in or excluded from Franchisor's criteria could change, altering the potential of a location and premises. The uncertainty and instability of these criteria are beyond Franchisor's control, and Franchisor is not responsible if a location Franchisor suggests or approves for the location of a ROCKY MOUNTAIN CHOCOLATE FACTORY Business fails to meet the Franchisee's expectations. Accordingly, the Franchisee acknowledges and agrees that its acceptance of the right to develop and operate the Franchised Location pursuant to this Agreement is based on Franchisee's own independent investigation of the location's suitability for the operation of a ROCKY MOUNTAIN CHOCOLATE FACTORY Business.

3.2 Limitation on Franchise Rights; Relocation. The rights that are hereby granted to the Franchisee are for the specific Franchised Location and cannot be transferred to an alternative Franchised Location, or any other location, without the prior written approval of the Franchisor. If the Franchisee loses the right to occupy the premises of the Franchised Location without any fault of the Franchisee, or if the

site for the premises of the Franchised Location is destroyed, condemned, or otherwise rendered unusable, the Franchisor will allow the Franchisee to relocate the of the Franchised Location to a new site acceptable to the Franchisor. The Franchisee must locate a substitute site, and begin operating the of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business from that substitute site, within 270 days after the Franchisee loses the right to occupy the premises of the Franchised Location. Any relocation will be at the Franchisee's sole expense, and the Franchisor may charge the Franchisee for the reasonable costs the Franchisor incurs (including attorneys' fees), plus a relocation fee (as set forth in the Operations Manual) for the Franchisor's services, in connection with any relocation of the of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business. If the Franchisee has operated a ROCKY MOUNTAIN CHOCOLATE FACTORY Business for not less than 12 months and desires to relocate it to an alternative site, the Franchisee must set forth its reasons for requesting the relocation in writing to the Franchisor, along with a proposed new location. The Franchisor will have 30 days from receipt of the Franchisee's written request to respond. If the Franchisor approves the relocation and the proposed new location, and if the Franchisor determines that the resulting ownership of the Franchisee does not change in any respect from the ownership of the Franchisee before the relocation, then the Franchisee may move its Business to the new approved location, provided that the Franchisee signs the Franchisor's then current form of Franchise Agreement and opens the Business at the new location within 12 months after the Business closes at its former Franchised Location. In addition, the Franchisee will be required to pay a nonrefundable design fee of $5,000 to the Franchisor for the Franchisor's Business designers to design the layout of the Franchisee's new Business location. A similar design fee will also apply if the Franchisor determines that the Franchisee requires design assistance in remodeling its Business at any time during the term of this Agreement. See Section 5.2 below.

3.3 Protected Territory. The Franchisor may grant to the Franchisee a designated territory ("Territory") consisting of a geographic area where the Franchisor will not operate, or grant a franchise or license to a third party to operate, a Franchised Business that is physically located within the Franchisee's Territory, except as otherwise provided in this Article 3. If the Franchisor grants to Franchisee a designated Territory, it will consist of the geographic area identified in Exhibit I, Attachment I-A. The exact size and boundaries of the Territory shall be determined in the Franchisor's sole judgment. Provided that the Franchisee is in full compliance with this Agreement, and except as further provided herein and in Section 3.4 below, the Franchisor and its affiliates will not operate or grant a franchise for the operation of another ROCKY MOUNTAIN CHOCOLATE FACTORY Business at a location within the Territory during the term of this Agreement. Notwithstanding the foregoing, if the ROCKY MOUNTAIN CHOCOLATE FACTORY Business is located in a metropolitan area (areas in which the population during any 24-hour period exceeds 50,000 persons per square mile) or if the Business will be located in a non-traditional location such as an airport, hotel, convention center, sports arena or stadium, college campus, amusement park, within the premises of another business, or a similar venue, Franchisee's Territory will not receive such protection, and Franchisee may face competition within the Territory from other franchisees, from outlets Franchisor or its affiliates may own, or from other channels of distribution or competitive brands that Franchisor or its affiliates control.

3.4 Franchisor's Reservation of Rights. Except as expressly limited by Section 3.3 above, the Franchisee acknowledges that the franchise granted hereunder is non-exclusive and that the Franchisor retains the rights, among others: (1) to use, and to license others to use, the Marks and Licensed Methods for the operation of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, Kiosk Businesses, Satellite Businesses and Temporary Businesses, at any location other than at the Franchised Location and regardless of the proximity to the Franchised Location and the Territory; (2) to use the Marks and Licensed Methods to identify services and products, promotional and marketing efforts or related items, and to identify products and services similar to or the same as those which the Franchisee will sell, but made available through alternative channels of distribution other than through traditional ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, at any location other than at the Franchised Location and regardless

of the proximity to the Franchised Location and the Territory, including, but not limited to, through Satellite Businesses, Temporary Businesses, Kiosk Businesses, by way of mail order, (including electronic mail order), the Internet and Electronic Advertising, defined in Section 12.6, which includes blogs, and social media such as Facebook, Instagram, X, TikTok, and LinkedIn, by way of catalogs, telemarketing, other direct marketing methods, television, retail store display or through the wholesale sale of its products to other retail outlets or to candy distributors or outlets located in "Captive Audience Facilities," defined below; (3) to use and license the use of proprietary marks or methods other than the Marks and Licensed Methods in connection with the sale of products and services similar or dissimilar to those which the Franchisee will sell, in alternative channels of distribution or in connection with the operation of retail stores selling premium chocolates or other premium confectionery products, at any location other than at the Franchised Location whether located inside or outside the Territory, which stores are the same as, or similar to, or different from a traditional ROCKY MOUNTAIN CHOCOLATE FACTORY Business or a Satellite Business, a Temporary Business, or a Kiosk Business, on any terms and conditions as the Franchisor deems advisable, and without granting the Franchisee any rights therein; (4) to use and license others to use the Marks and Licensed Methods at any location inside or outside the Territory in connection with the operation of Businesses within "**Captive Audience Facilities**" which are defined as facilities where people are congregating for a primary purpose unrelated to the Business, creating significant foot traffic in the facility, including, without limitation, airports and other transportation hubs, hospitals, college campuses, convention centers, grocery stores, sports arenas, stadiums, department stores, resorts and hotels, within office buildings, town centers and "big box" retail centers, military bases, or casinos; (5) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, under the Marks and on any terms and conditions Franchisor deems appropriate both inside and outside the Territory; (6) the right to acquire the assets or ownership interests of one or more businesses providing products and services the same as or similar to those provided at ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory); and (7) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Territory. The Franchisor and its affiliates reserve the right to contract with Captive Audience Facilities to develop and operate Businesses within these facilities.

4. FEES

4.1 Initial Franchise Fee. In consideration for the right to develop and operate one ROCKY MOUNTAIN CHOCOLATE FACTORY Business, the Franchisee agrees to pay to the Franchisor an initial franchise fee in the amount set forth in Exhibit I attached hereto, all of which is due and payable on the date the Franchisee signs this Agreement. The Franchisee acknowledges and agrees that the initial franchise fee represents payment for the initial grant of the rights to use the Marks and Licensed Methods, that the Franchisor has earned the initial franchise fee upon receipt thereof and that the fee is under no circumstances refundable to the Franchisee after it is paid. If a transfer occurs, no initial franchise fee shall be due at the time that the Franchisee transfers the Business to another party, but a transfer fee will apply as set forth in Section 16.2 of this Agreement.

4.2 Monthly Royalty. The Franchisee agrees to pay to the Franchisor a monthly royalty ("**Royalty**") equal to 5% of Gross Retail Sales (defined below) during the period beginning on the date the Franchisee begins operating the Franchised Location and ending on the earlier of (i) 12 months following the date on which the Franchisee begins operating the Franchised Location and (ii) February 28 or 29 of the year following the date on which the Franchisee begins operating the Franchised Location (the "**Initial**

Period"). Following the Initial Period, the Franchisee agrees to pay to the Franchisor a Royalty equal to (1) 6% of Gross Retail Sales (defined below) if less than 60% of the Franchisee's Gross Retail Sales were derived from the sale of Durango Product on an annual basis; (2) 5% of its Gross Retail Sales (defined below) if at least 60% but less than 65% of Franchisee's Gross Retail Sales were derived from the sale of Durango Product on an annual basis; and (3) 4% of its Gross Retail Sales (defined below) if 65% or more of Franchisee's Gross Retail Sales were derived from the sale of Durango Product on an annual basis . The Franchisee agrees to pay the Royalty based on Gross Retail Sales and the percentage of Franchisee's Gross Retail Sales that are from the sale of Durango Product during each month. Within 15 days following the end of each month, the Franchisor shall calculate the amount of the Franchisee's Gross Retail Sales and the percentage of Franchisee's Gross Retail Sales that are from the sale of Durango Product during the previous month and the Franchisee shall owe the Franchisor the Royalty specified above in this Section. Within 15 days after the end of each year, the Franchisor shall calculate the amount of the Franchisee's annual Gross Retail Sales and the percentage of Franchisee's annual Gross Retail Sales that are from the sale of Durango Product during the previous year and determine the Royalty that will be payable for the subsequent year. The Franchisor reserves the right to change the fixed dollar amount per pound of Durango Product and the multiple of the wholesale price from time to time, in the Franchisor's sole discretion. If the Franchisee owns other ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses governed by other franchise agreements that calculate Royalties differently than described above, the Franchisor reserves the right to adjust the calculation of Adjusted Gross Retail Sales based on variances in other Businesses' past and current purchases.

4.3 **Marketing Fund Contribution**. The Franchisee shall contribute to the Marketing Fund a fee of 1% of the total amount of the Franchisee's Gross Retail Sales ("**Marketing Fund Contribution**") (the current required Marketing Fund Contribution is 1% of Franchisee's Gross Retail Sales). The Franchisor reserves the right to increase the Marketing Fund Contribution to an amount not to exceed 3% of Gross Retail Sales. The Marketing Fund Contribution is payable in the same manner as the Royalty. The Marketing Fund Contribution contributions will be administered and used as set forth in Section 12.3 below.

4.4 **Gross Retail Sales**. "**Gross Retail Sales**" shall be defined as receipts and income of any kind from all products or services sold from or through the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, including any such sale of products or services made for cash or upon credit, or partly for cash and partly for credit, regardless of collection of charges for which credit is given, less returns for which refunds are made, provided that the refund shall not exceed the sales price and exclusive of discounts, sales taxes and other taxes, amounts received in settlement of a loss of merchandise, shipping expenses paid by the customer, revenue from the sale of gift cards and revenue from sales of non-inventory items. "Gross Retail Sales" shall also include the fair market value of any services or products received by the Franchisee in barter or in exchange for its services and products.

4.5 **Royalty Payments**. The Franchisee agrees that Royalty payments shall be paid monthly and paid by electronic funds transfer initiated by the Franchisor on the 15th day of each month based on Gross Retail Sales for the immediately preceding month. Franchisee agrees to send monthly reports to the Franchisor, as more fully described in Article 15 hereof, and standard transmittal forms containing information regarding the Franchisee's Gross Retail Sales and such additional information as may be requested by the Franchisor. The Franchisor reserves the right to require Royalty payments be made weekly or bi-monthly on a system-wide basis upon 30 days' prior notice. If the Franchisee repeatedly fails to timely submit complete payments or reports, the Franchisee may be required to make payments on a weekly or bi-monthly basis upon 10 days' notice. The Franchisor shall have the right to verify Royalty payments from time to time as it deems necessary, in any reasonable manner. In the event that the Franchisee fails to pay Royalties when due, the Franchisee shall, in addition to Royalties, pay a late charge equivalent to 18%

of the late Royalty payment; provided, however, in no event shall the Franchisee be required to pay a late payment at a rate greater than the maximum interest rate permitted by applicable law.

4.6 Late Fees and Interest. In the event that the Franchisee fails to pay the Franchisor or its affiliates any amounts required by this Agreement within 14 days after they are due, the Franchisee shall, in addition to unpaid amounts, pay a late charge equivalent to 18% of the late unpaid amount; provided, however, in no event shall the Franchisee be required to pay a late payment at a rate greater than the maximum interest rate permitted by applicable law.

4.7 Authorization for Electronic Funds Transfers. The Franchisor requires that Royalty payments, applicable late charges, the Marketing Fund Contribution and applicable late charges (as set forth in Section 4.6 above) be made by means of electronic funds transfer and the Franchisee agrees to provide the information necessary to implement transfer payments by completing and signing the Authorization Agreement for Electronic Funds Transfers ("**Authorization Agreement**") attached as Exhibit IV to this Agreement. The Franchisee authorizes the Franchisor to initiate debit entries and/or credit correction entries to the Franchisee's checking or savings account set forth on the Authorization Agreement, and authorizes the depository named on the Authorization Agreement ("**Depository**") to debit such account pursuant to the Franchisor's instructions. The Authorization Agreement is to remain in full force and effect until the Depository has received joint written notification from the Franchisor and the Franchisee of the Franchisee's termination of such authority in such time and in such manner as to afford the Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, the Depository shall provide the Franchisor and the Franchisee with 30 days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to the Franchisee's account, the Franchisee shall have the right to have the amount of such entry credited to such account by the Depository, if (a) within 15 calendar days following the date on which the Depository sent to the Franchisee a statement of account or a written notice pertaining to such entry or (b) 45 days after posting, whichever occurs first, the Franchisee shall have sent to the Depository a written notice identifying such entry, stating that such entry was in error and requesting the Depository to credit the amount thereof to such account. These rights are in addition to any rights the Franchisee may have under federal and state banking laws.

4.8 Application of Payments. Despite any designation the Franchisee makes, the Franchisor may apply any of the Franchisee's payments to any of Franchisee's past due indebtedness to the Franchisor. Franchisor may set off any amounts the Franchisee or its owners owe Franchisor or its affiliates against any amounts the Franchisor or its affiliates owe the Franchisee or its owners.

5. DEVELOPMENT OF FRANCHISED LOCATION

5.1 Approval of Lease. Prior to executing a lease or a purchase agreement for the Franchised Location, the Franchisee shall submit a copy of the proposed lease or purchase agreement to the Franchisor for review. The Franchisee shall obtain the Franchisor's prior written approval before executing any lease or purchase agreement for the Franchised Location. Any lease for the Franchised Location shall include the Franchisor's form of franchise addendum to lease agreement attached hereto as Exhibit VII. The Franchisor may require the Franchisee to hire a lawyer or other professional approved by the Franchisor, to negotiate lease terms for the Franchised Location, at the Franchisee's expense. The Franchisee shall deliver a copy of the signed lease for the Franchised Location to the Franchisor within 15 days of its execution. The Franchisee acknowledges that approval of a lease for the Franchised Location by the Franchisor does not constitute a recommendation, endorsement, guarantee, warranty or representation of any kind, whether express or implied, by the Franchisor of the suitability of the location or the lease, the fairness of the lease, Franchisee's ability to comply with the terms of the lease, or the success or profitability of a ROCKY MOUNTAIN CHOCOLATE FACTORY Business at the location and the Franchisee should take all steps necessary to ascertain whether such location and lease are acceptable to the Franchisee. Franchisor does

not, by virtue of approving the lease, assume any liability or responsibility to the Franchisee or to any third party. The Franchisee may not modify the lease if any proposed modification would impact Franchisor's rights as a third-party beneficiary of provisions of the lease.

5.2 Conversion and Design. The Franchisee acknowledges that the layout, design, decoration and color scheme of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses are an integral part of the Franchisor's proprietary Licensed Methods and accordingly, the Franchisee shall convert, design and decorate the Franchised Location in accordance with the Franchisor's plans and specifications which are contained in a Design and Construction Manual that is considered, for the purposes of this Agreement, to be a part of the Operations Manual, defined in Section 8.1. The Franchisee shall hire an approved or designated architect/designer to prepare written plans for the Business's layout and construction, which plans shall be submitted to the Franchisor for its prior written approval. Any architect/designer or other builders the Franchisee uses must maintain builder's and/or contractor's insurance (as applicable), lien insurance, and performance and completion bonds in forms and amounts acceptable to Franchisor. Because Franchisor's review is limited to ensuring the Franchisee's compliance with Franchisor's design requirements, it might not assess compliance with federal, state, or local laws and regulations, including the Americans with Disabilities Act. Accordingly, the Franchisee recognizes and acknowledges that compliance with these laws is its responsibility. Franchisor may inspect the location while Franchisee is developing the Franchised Location. Throughout the term of this Agreement, the Franchisee agrees to remodel, expand, redecorate, reequip and/or refurnish the premises and ROCKY MOUNTAIN CHOCOLATE FACTORY Business at the Franchisee's expense to reflect changes in the operations of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses which the Franchisor prescribes and requires of new franchisees. The Franchisee shall obtain the Franchisor's written consent to any remodeling or decoration of the premises before remodeling or decorating begins, recognizing that such remodeling, decoration and any related costs are the Franchisee's sole responsibility. If the Franchisee remodels its Business at any time during the term of this Agreement, the Franchisee shall pay the Franchisor $2,500 for the Franchisor's review and approval of the new Business design.

5.3 Signs. The Franchisee shall purchase or otherwise obtain for use at the Franchised Location and in connection with the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, signs which comply with the standards and specifications of the Franchisor as set forth in the Operations Manual, as that term is defined in Section 8.1. It is the Franchisee's sole responsibility to ensure that any signs comply with applicable local ordinances, building codes and zoning regulations. Any modifications to the Franchisor's standards and specifications for signs that must be made due to local ordinances, codes or regulations shall be submitted to the Franchisor for prior written approval. The Franchisee acknowledges the Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with the Franchisor's standards and specifications and only with the prior written approval of the Franchisor.

5.4 Equipment. The Franchisee shall purchase or otherwise obtain for use at the Franchised Location and in connection with the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, equipment of a type and in an amount which complies with the standards and specifications of the Franchisor in effect during the term of this Agreement. The Franchisee acknowledges that the type, quality, configuration, capability or performance of the equipment are all standards and specifications which are a part of the Licensed Methods and therefore such equipment must be purchased, leased, or otherwise obtained in accordance with the Franchisor's standards and specifications and only from suppliers or other sources designated or approved by the Franchisor. The Franchisee shall equip the Business with an electronic point-of-sale system ("**POS System**") that includes workstations consistent with current technology, cash drawers, thermal receipt printers, scales, credit card authorization software, credit card readers and laser bar code scanners and other designated equipment that Franchisor specifies at any time and from time to time. The Franchisor reserves the right to require the Franchisee to purchase new,

modified or upgraded computer hardware components and software upon 30 days prior written notice. Although Franchisor cannot estimate the future costs of the computer hardware components and software or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, the Franchisee agrees to incur the costs of obtaining the computer hardware components and software comprising the POS System (or additions and modifications) and required service or support. Franchisor has no obligation to reimburse the Franchisee for any POS System costs. The Franchisor also reserves the right to require the Franchisee to purchase, install and implement computer data security hardware and software, firewall protection and data security breach insurance that meets the Franchisor's standards and specifications or from the Franchisor's designated supplier, if applicable, on 30 days' prior notice. The Franchisor requires that it be provided reasonable access to information and data regarding the Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business by electronic transmission through the POS System and using hardware and software that meet the Franchisor's standards and specifications. The Franchisee must purchase and maintain throughout the term of this Agreement a maintenance and support agreement for the POS System with the Franchisor's designated or approved supplier. The Franchisee shall be responsible for all maintenance and support costs associated with the computer hardware, the POS System and the computer software, including the costs for maintenance and support of any of the new, modified, or upgraded computer hardware components and software required by Franchisor.

5.5 Electronic Communications. The Franchisee shall obtain and maintain computer hardware and software meeting the Franchisor's standards and specifications as they may exist from time to time. The Franchisor requires the Franchisee to obtain and maintain an account with an Internet service provider that meets the Franchisor's standards and specifications to facilitate electronic communication between the Franchisor and the Franchisee and among all ROCKY MOUNTAIN CHOCOLATE FACTORY franchisees, and to facilitate the Franchisor's access to Business operating information. The Franchisee agrees that the Franchisor may assign an electronic mail address to the Franchisee and the Franchisee agrees to use such address to access messages and information posted by the Franchisor and other ROCKY MOUNTAIN CHOCOLATE FACTORY franchise owners ("**Owners**"). The Franchisor may post information about the Franchisee's Business on the Franchisor's intranet system for comparative analysis purposes. The Franchisee agrees to participate in the Franchisor's electronic intranet system and to abide by the terms of use governing it. Information on the Franchisor's intranet system and the terms of use governing the Franchisor's intranet system are deemed to be incorporated into the terms of the Operations Manual and any violations of the terms of use will be treated as a violation of the rules governing the Operations Manual.

5.6 Permits and Licenses. The Franchisee agrees to obtain all such permits and certifications as may be required for the lawful construction and operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business together with all certifications from government authorities having jurisdiction over the site, that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances. The Franchisee agrees to obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. The Franchisee shall sign and deliver to the Franchisor the Permit, License and Construction Certificate set forth as Exhibit V to this Agreement, to confirm Franchisee's compliance with the Americans with Disabilities Act and other provisions of this Section 5.6 not later than 30 days prior to the date the Business begins operating. Copies of all inspection reports, warnings, certificates and ratings issued by any governmental entity during the term of this Agreement in connection with the conduct of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business which indicates the Franchisee's failure to meet or maintain the highest governmental standards, or less than full compliance by the Franchisee with

any applicable law, rule or regulation, shall be forwarded to the Franchisor within five days of the Franchisee's receipt thereof.

5.7 Commencement of Operations. Unless otherwise agreed in writing by the Franchisor and the Franchisee, the Franchisee who is developing a new location has 270 days from the date of this Agreement within which to develop the Franchised Location, complete the initial training program, described in Section 6.1 of this Agreement, and commence operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business. Failure to commence operations within this time frame shall constitute grounds for termination under Article 18 of this Agreement. The Franchisee must notify the Franchisor in writing at least 30 days prior to commencing operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business.

6. TRAINING

6.1 Initial Training Program. After the Franchisee executes a lease for the Franchised Location, the Franchisee or, if the Franchisee is not an individual, the person designated by the Franchisee to assume primary responsibility for the management of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, ("**General Manager**") is required to attend and successfully complete the initial training program which is offered by the Franchisor at one or more of the Franchisor's designated training facilities, or by webinar or other remote method, if circumstances warrant, at the Franchisor's sole discretion. Up to three individuals are eligible to participate in the Franchisor's initial training program without charge of a tuition or fee. Additional people beyond these three attendees may attend initial training (subject to the Franchisor's capacity and ability to accommodate additional persons in the training session) if the Franchisee pays the then current training charge for each additional person. The Franchisor reserves the right to refuse to provide training to the Franchisee or any of its proposed attendees for whom the Franchisor has not received the relevant training fee. The Franchisee shall be responsible for any and all traveling and living expenses incurred in connection with attendance at the training program. At least one individual must successfully complete the initial training program at least 45 days prior to the Franchisee's opening of its ROCKY MOUNTAIN CHOCOLATE FACTORY Business.

6.2 Length of Training. The initial training program shall consist of four days of instruction at one or more locations designated by the Franchisor, or by webinar or other remote method if circumstances warrant, at the Franchisor's sole discretion; provided, however, that the Franchisor reserves the right, in its sole discretion, to vary the length and content of the initial training program based upon the experience and skill level of the individual(s) attending the initial training program.

6.3 Additional Training. From time to time, the Franchisor may present seminars, conventions or continuing development programs or conduct meetings or webinars for the benefit of the Franchisee. The Franchisee or its General Manager shall be required to attend any ongoing mandatory seminars, webinars, conventions, programs or meetings as may be offered by the Franchisor. The Franchisor shall give the Franchisee at least 30 days prior written notice of any ongoing seminar, convention or program that is deemed mandatory. The Franchisor shall not require that the Franchisee attend any ongoing training in person more often than once a year for up to three days. All mandatory training will be offered without charge of a tuition or fee; provided, however, the Franchisee will be responsible for all traveling and living expenses which are associated with attendance at the same. Besides attending these courses, Franchisee agrees to attend an annual meeting of all ROCKY MOUNTAIN CHOCOLATE FACTORY Business franchise owners at a location the Franchisor designates, if the Franchisor organizes and plans (at its option) such a meeting. The Franchisee agrees to pay all costs to attend these online and in-person training courses and meetings. The Franchisor may also, from time to time, offer non-mandatory training courses for which it reserves the right to charge certain fees for registration and/or tuition.

7. DEVELOPMENT ASSISTANCE

7.1 Franchisor's Development Assistance. The Franchisor, or its designee, shall provide the Franchisee with assistance in the initial establishment of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business as follows:

a. Provision of the initial training program to be conducted at the Franchisor's designated training facilities or at another location designated by the Franchisor, as described in Article 6 above.

b. The Franchisee must have obtained the Franchisor's consent to a proposed location not later than the date this Agreement is signed. The Franchisee acknowledges that the Franchisor shall have no obligation to provide assistance in the selection and approval of a Franchised Location other than the provision of written specifications and approval or disapproval of a proposed Franchised Location, which approval or disapproval shall be based on information submitted to the Franchisor by the Franchisee in a form sufficient to assess the proposed location as may be required by the Franchisor, in the Franchisor's sole discretion, and on information gathered by the Franchisor.

c. Direction regarding the required conversion, design and decoration of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business premises, plus specifications concerning signs, seasonal graphics, music, décor, equipment, furniture and fixtures.

d. Direction regarding the selection of suppliers of equipment, seasonal graphics, music, furniture, fixtures, supplies and materials used and inventory offered for sale in connection with the ROCKY MOUNTAIN CHOCOLATE FACTORY Business. The Franchisor will determine the Franchisee's initial inventory of Durango Product that the Franchisee will purchase, depending on the size and configuration of the Business. After execution of this Agreement, the Franchisor will provide the Franchisee with a list of approved suppliers, if any, of equipment, items, seasonal graphics, music, furniture, fixtures, supplies, materials and inventory and, if available, a description of any national or central purchase and supply agreements offered by approved suppliers for the benefit of ROCKY MOUNTAIN CHOCOLATE FACTORY franchisees.

e. Provision of 3 copies of the Operations Manual in accordance with Section 8.1 below.

f. As the Franchisor may reasonably schedule, and depending on availability of personnel, the Franchisor will make available to the Franchisee at or close to the opening of the Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business, a representative ("**Site Representative**") who will be present for up to five days beginning approximately three days prior to the opening of the Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business. No in-Business assistance is available between December 22nd and January 4th. If the Franchisee's Business opens on or near a holiday, however, the Site Representative shall not begin the in-Business assistance until three days after the holiday. Holidays include, but are not limited to, New Year's Day, Valentine's Day, Easter, Memorial Day, Fourth of July, Labor Day, Thanksgiving, Hanukkah and Christmas. There will be no charge to the Franchisee for this service provided by the Franchisor. The Site Representative will assist the Franchisee's employees in opening the Business, unless in the Franchisor's determination, the Franchisee or the General Manager have sufficient prior training or experience.

8. OPERATIONS MANUAL

8.1 Operations Manual. The Franchisor agrees to loan to the Franchisee one or more manuals, technical bulletins, cookbooks and recipes and other written or electronic materials transmitted to the Franchisee during the term of this Agreement (collectively referred to as "**Operations Manual**") covering specifications, standards, rules, Durango Product ordering, Store Made Product manufacturing, processing and stocking and other operating methods, advertising and marketing techniques for the ROCKY MOUNTAIN CHOCOLATE FACTORY Business. For purposes of this Agreement, all written instructions or communications Franchisor provides to all, or a substantial number of, ROCKY MOUNTAIN CHOCOLATE FACTORY Business franchise owners concerning aspects or modifications to the Licensed Methods shall be deemed part of the Operations Manual. The Franchisee agrees that it shall comply with the Operations Manual as an essential aspect of its obligations under this Agreement, that the Operations Manual shall be deemed to be incorporated herein by reference and failure by the Franchisee to substantially comply with the Operations Manual may be considered by the Franchisor to be a breach of this Agreement. Upon the expiration, transfer or termination of this Agreement for any reason, the Franchisee shall return to the Franchisor, or transfer to an approved transferee, if applicable, all paper volumes, DVDs, disks or other media which together comprise the Operations Manual. Failure to return or transfer, as applicable, all volumes of the Operations Manual in good condition, reasonable wear and tear excepted, shall cost the Franchisee $150 per volume, payable to the Franchisor upon demand.

8.2 Use of Operations Manual. The Franchisee agrees to use the Marks and Licensed Methods only as specified in the Operations Manual. The Operations Manual is the sole property of the Franchisor and shall be used by the Franchisee only during the term of this Agreement and in strict accordance with the terms and conditions hereof. The Franchisee shall not duplicate the Operations Manual nor disclose its contents to persons other than its employees or officers who have signed the form of Confidentiality and Noncompetition Agreement attached hereto as Exhibit VI and incorporated herein by reference.

8.3 Changes to Operations Manual. The Franchisor reserves the right to revise the Operations Manual from time to time as it deems necessary to update or change operating and marketing techniques, standards, specifications and rules for all components of the Licensed Methods and approved Durango Product, Items and Store Made Product offered by Businesses. Revisions may be sent to the Franchisee by electronic mail, by regular mail or any other method in the Franchisor's discretion. The Franchisee, within 30 days of receiving any updated information, shall in turn update its copy of the Operations Manual as instructed by the Franchisor and shall conform its operations with the updated provisions within a reasonable time after receipt of such updated information. The Franchisee acknowledges that a master copy of the Operations Manual maintained by the Franchisor at its principal office shall be controlling in the event of a dispute relative to the content of any Operations Manual.

9. GENERAL GUIDANCE AND CONSULTATION SERVICES

9.1 Franchisor's Services. The Franchisor will advise the Franchisee at any time and from time to time regarding the ROCKY MOUNTAIN CHOCOLATE FACTORY Business's operation based on the Franchisee's reports or the Franchisor's inspections and will guide the Franchisee with respect to: (1) standards, specifications, and operating procedures and methods that ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses use; (2) purchasing required and authorized Durango Product, Items, Store Made Product and related products and services, and other items and arranging for their distribution to the Franchisee; (3) advertising and marketing materials and programs; (4) employee training; and (5) administrative, bookkeeping, accounting, and inventory control procedures.

9.2 Additional Franchisor Services. Although not obligated to do so, upon the reasonable request of the Franchisee, the Franchisor may make its employees or designated agents available to the Franchisee for on-site advice and assistance in connection with the on-going operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business governed by this Agreement. In the event that the Franchisee requests such additional assistance and the Franchisor agrees to provide the same, the Franchisor reserves the right to charge the Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with such assistance, plus a fee based on the time spent by each employee on behalf of the Franchisee, which fee will be charged in accordance with the then current daily or hourly rates being charged by the Franchisor for assistance.

9.3 Pricing. Franchisor reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices the Franchisee may charge for products and services. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which the Franchisee may charge customers for the products and/or services offered by the Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business; recommending retail prices; advertising specific retail prices for some or all products or services sold at Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business; to engage in marketing, promotional and related campaigns which the Franchisee must participate in and which may directly or indirectly impact the Franchisee's retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business may charge the public for the products and services it offers. Franchisor may engage in any such activity either periodically or throughout the term of this Agreement. Further, Franchisor may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. The Franchisee acknowledges that the prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business and the Franchisee irrevocably waives any and all claims arising from the establishment or suggestion of Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business's retail prices.

9.4 Discounts, Giveaway and Other Promotions. The Franchisee acknowledges and agrees that periodic discounts, giveaways and other promotions are an integral part of the Licensed Methods. Therefore, the Franchisee agrees to offer and participate in such discounts, giveaways and other promotions at its sole cost and expense, in accordance with Franchisor's specifications. Franchisee further agrees to honor the discounts, giveaways and other promotions offered by other ROCKY MOUNTAIN CHOCOLATE FACTORY Business franchise owners under any such program Franchisor establishes, as long as such compliance does not contravene any applicable law, rule or regulation.

10. FRANCHISEE'S OPERATIONAL COVENANTS

10.1 Business Operations. The Franchisee acknowledges that it is solely responsible for the successful operation of its ROCKY MOUNTAIN CHOCOLATE FACTORY Business and that the continued successful operation thereof is, in part, dependent upon the Franchisee's compliance with this Agreement and the Operations Manual. In addition to all other obligations contained in this Agreement and in the Operations Manual, the Franchisee covenants that:

a. The Franchisee shall maintain clean, efficient and high-quality ROCKY MOUNTAIN CHOCOLATE FACTORY Business operations and shall operate the business in accordance with the Operations Manual and in such a manner as not to detract from or adversely reflect upon the name and reputation of the Franchisor and the goodwill associated with the ROCKY MOUNTAIN CHOCOLATE FACTORY name and Marks.

b. The Franchisee will operate its ROCKY MOUNTAIN CHOCOLATE FACTORY Business in compliance with all applicable laws, regulations, data security laws, privacy laws and local ordinances, including without limitation, government regulations relating to occupational hazards, health, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes and in a manner that promotes a positive image in the community. In connection therewith, the Franchisee will be solely and fully responsible for obtaining any and all licenses, permits and certifications relating to the operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business. The Franchisee shall promptly forward to the Franchisor copies of all health department, fire department, building department and other similar reports of inspections as and when they become available.

c. The Franchisee and all persons who work at the Business in any capacity, whether or not they are employees of the Franchisee ("**Personnel**"), shall conduct themselves in such a manner so as to promote a good image to the public and to the business community. At no time while at the Franchised Location, on the shopping center premises, or when wearing apparel bearing a Mark, shall any of the Personnel engage in unreasonable or disrespectful behavior toward anyone, including using offensive or rude language or gestures.

d. The Franchisee acknowledges that proper management of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business is important and shall insure that an individual who signs this Agreement on behalf of the Franchisee or the General Manager who has completed the Franchisor's initial training program will be responsible for the management of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business after commencement of Business operations. Further, either an individual Franchisee or the General Manager, in each case a person who has completed the Franchisor's initial training program, will be present at the Franchised Location at all times during operation of the Business.

e. The Franchisee shall offer only authorized products and services as are more fully described in the inventory lists and in the vendor lists which are a part of the Operations Manual, which may include, without limitation, Durango Product, Store Made Product, Items and other authorized confectionery food and beverage products. The only Store Made Product that is permitted to be made and sold in the Business is specified in the recipes found in the Operations Manual. Further, the Franchisee shall operate the Business using only those supplies, equipment, ingredients, signs, décor, music and methods which are described in the Operations Manual. The Franchisee shall offer only the types of products and services as from time to time may be prescribed by the Franchisor and shall refrain from offering any other types of products or services, from or through the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, including, without limitation, filling "Wholesale Orders," defined below, selling Durango Product, Store Made Product, Items or other authorized products through the Internet, or catering or other off-premises sales, without the prior written consent of the Franchisor. "**Wholesale Orders**" are defined as those orders or sales where the principal purpose of the purchase is for resale, not consumption, or any sale other than those sold over the counter at a price other than that price charged to the general public; provided, however, that volume discounted sales made on the premises at the Franchised Location to a single purchaser, not for resale. Durango Product, Store Made Product and Items shall never be sold in containers or bags other than those approved by the Franchisor.

f. The Franchisee shall promptly pay when due all taxes and other obligations owed to third parties in the operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, including without limitation, unemployment and sales taxes, and any and all accounts or other

indebtedness of every kind incurred by the Franchisee in the conduct of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business.

g. The Franchisee agrees to notify the Franchisor within 3 days of receipt of claims or service of process that the Franchisee has been named in a lawsuit or arbitration or that claims have been made against it that in any way involve, relate to or affect the franchise, the Business or the assets of the Business. Notice will include a copy of the complaint or claims and the Franchisee's proposed response.

h. The Franchisee shall subscribe for and maintain one telephone number for its ROCKY MOUNTAIN CHOCOLATE FACTORY Business at the Franchised Location that will be used exclusively for voice communication. The telephone number shall be listed and identified exclusively with the ROCKY MOUNTAIN CHOCOLATE FACTORY Business in all telephone directories and in advertising and shall be separate and distinct from all other telephone numbers subscribed for by the Franchisee.

i. The Franchisee shall comply with all agreements with third parties related to the ROCKY MOUNTAIN CHOCOLATE FACTORY Business including, in particular, all provisions of any lease for the Franchised Location and any agreement with a supplier to the Franchised Location.

j. The Franchisee and all employees of the Franchisee shall adhere to dress code guidelines while on duty at the Franchised Location. The Franchisee is required, at the Franchisee's expense, to purchase specified apparel from suppliers approved by the Franchisor. All General Managers, employees of the Franchisee, the Franchisee and its owners shall wear the specified apparel at all times while working at the Franchised Location. The Franchisor has the right, in its sole and absolute discretion, to change or modify such grooming and dress code guidelines in the Operations Manual.

k. The Franchisee agrees to renovate, refurbish, remodel or replace, at its own expense, the personal property and equipment used in the operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, when reasonably required by the Franchisor in order to comply with the image, standards of operation and performance capability established by the Franchisor from time to time. If the Franchisor changes its image or standards of operation, it shall give the Franchisee a reasonable period of time within which to comply with such changes.

l. The Franchisee shall be responsible for training all of its Personnel who work in any capacity in the ROCKY MOUNTAIN CHOCOLATE FACTORY Business.

m. The Franchisee shall at all times during the term of this Agreement own and control the ROCKY MOUNTAIN CHOCOLATE FACTORY Business authorized hereunder. The Franchisee shall not operate any other business or profession from or through the Store. If the Franchisee is an entity, the entity shall only operate the ROCKY MOUNTAIN CHOCOLATE FACTORY Business governed by this Agreement and no other business, unless the Franchisee receives the Franchisor's prior written approval. Upon request of the Franchisor, the Franchisee shall promptly provide satisfactory proof of such ownership to the Franchisor. The Franchisee represents that the Statement of Ownership, attached hereto as Exhibit III and by this reference incorporated herein, is true, complete, accurate and not misleading, and, in accordance with the information contained in the Statement of Ownership, the controlling ownership of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business is held by the Franchisee. The Franchisee shall promptly provide the Franchisor with a written notification if the information contained in the

Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in Article 16 herein. In addition, if the Franchisee is an entity, all of the owners of the Franchisee shall sign the Personal Guaranty attached hereto as Exhibit II.

n. The Franchisee shall at all times during the term of this Agreement keep its ROCKY MOUNTAIN CHOCOLATE FACTORY Business open during the business hours designated by the landlord or retail venue.

10.2 Durango Product Purchases. The Franchisee shall, during the term of this Agreement, maintain a sufficient inventory of Durango Product and related products, to allow it to meet customer demands for the products offered by a ROCKY MOUNTAIN CHOCOLATE FACTORY Business and in compliance with the Franchisor's standards and specifications as may be described in the Operations Manual from time to time. The Franchisee agrees to purchase exclusively from the Franchisor or from its designated or approved suppliers, all of the Durango Product and ingredients for making Store Made Product and all related products required for the Franchisee's operation of the Business, as may be offered for sale by the Franchisor or its designated or approved suppliers from time to time.

10.3 Payment for Durango Product. Unless notified in writing otherwise by the Franchisor, all Durango Product and related products shall be sold and shipped to the Franchisee on a net 30-day basis, or according to the then current payment terms set by the Franchisor or its designated suppliers. Payments to the Franchisor will be made by electronic funds transfer and the Franchisee agrees to provide the information necessary to implement transfer payments by completing and signing the Authorization Agreement for Electronic Funds Transfer ("**Authorization Agreement**") attached as Exhibit IV to this Agreement. The Franchisee agrees to make payments for inventory in compliance with the terms of Section 4.7 of this Agreement. The Franchisor reserves the right to charge interest at the rate of 1.5% per month if the Franchisee fails to pay for its orders on time and the Franchisor reserves the right to discontinue shipment of Durango Product and related products to the Franchisee if the Franchisee is repeatedly delinquent in paying for its Durango Product and related products, in the Franchisor's sole discretion. The Franchisee may be required to pay in advance for Durango Product orders, notwithstanding the payment policy set forth above, in the event of poor payment performance. The Franchisor reserves the right to change payment terms and policies at any time. The Franchisor also reserves the right to change the prices for Durango Product and related products from time to time as may be set forth in the most recent price bulletin sent to all franchisees or the then current Operations Manual.

10.4 Limitations on Supply Obligations. The delivery of Durango Product and related products by the Franchisor or its designated suppliers is subject to and conditioned upon availability. Nothing in this Agreement shall be construed by the Franchisee to be a promise or guarantee by the Franchisor as to the continued existence of any particular Durango Product or related product, nor shall any provision herein imply or establish an obligation on the part of the Franchisor and its designated suppliers to sell Durango Product and related products to the Franchisee if the Franchisee is in arrears on any payment to the Franchisor and its designated suppliers or otherwise in default under this Agreement.

10.5 Changes in Products. The Franchisee understands that the Franchisor and its designated suppliers shall have the right, at any time and without notice, to add items to, or withdraw items from, the list of Durango Product and other products; to add to or delete from the list of designated suppliers of Durango Product and other products; to change the formulation of any particular Durango Product or other product; and to change the prices, discounts or terms of sale of any Durango Product or other product; provided, however, no such changes in prices, discounts or terms shall affect accepted orders pending with the Franchisor and its designated suppliers at the time of change. No such changes will give the Franchisee

the right to recover damages against, or be reimbursed by, the Franchisor and its designated suppliers for any losses suffered by the Franchisee.

11. CONFIDENTIAL INFORMATION

11.1 **Confidential Information**. The Franchisor 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 ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, including (without limitation):

1. site selection criteria and layouts, designs and other plans and specifications for ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses;

2. training and operations materials and manuals;

3. methods, formats, specifications, standards, systems, procedures, preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses;

4. marketing, promotional and advertising research and programs for ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses;

5. knowledge of specifications for and suppliers of Durango Product, Store Made Product, Items and other authorized confectionery food and beverage products, and other products and supplies, including supplier pricing and related terms;

6. any computer software or similar technology which is proprietary to the Franchisor, 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;

7. knowledge of the operating results and financial performance of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses other than the Franchisee's Franchised Location;

8. graphic designs and related intellectual property;

9. customer solicitation, communication and retention programs, along with data and information used or generated in connection with those programs;

10. all data and other information generated by, or used in, the operation of the Franchisee's Franchised Location, including customer names, addresses, phone numbers, pricing and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in the computer system or that visitors to the Franchisee's Franchised Location (including the Franchisee and its personnel) provide to the website for the network of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses;

11. future business plans relating to ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses and the ROCKY MOUNTAIN CHOCOLATE FACTORY Business franchise opportunity, including expansion and development plans; and

12. any other information that the Franchisor reasonably designates as confidential or proprietary.

Franchisee acknowledges and agrees that it will not acquire any interest in Confidential Information, other than the right to use it as the Franchisor specifies in operating the Franchised Location during the term of this Agreement, and that Confidential Information is proprietary, includes the Franchisor's trade secrets, and is disclosed to the Franchisee only on the condition that the Franchisee agrees, and the Franchisee in fact does agree, that the Franchisee:

a. will not use Confidential Information in any other business or capacity;

b. will keep each item deemed to be part of Confidential Information absolutely confidential, both during the term of this Agreement and then thereafter for as long as the item is not generally known in the food-service industry;

c. will not sell, trade or otherwise profit in any way from the Confidential Information (including by selling or assigning any customer names, addresses, phone numbers, e-mail contact information, or related data), except using methods that the Franchisor may have authorized or approved in its sole judgment;

d. will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form;

e. will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to the Franchised Locations personnel and others and using confidentiality and noncompetition agreements with those having access to Confidential Information. The Franchisor has the right to regulate the form of agreements that the Franchisee uses and to be a third party beneficiary of those agreements with independent enforcement rights. The current form of Confidentiality and Noncompetition Agreement is attached as Exhibit VI; and

f. will notify the Franchisor within 24 hours of any unauthorized use or disclosure of Confidential Information (whether by the Franchisee or any of the Franchisee's employees or personnel).

Confidential Information does not include information, knowledge, or know-how which the Franchisee can demonstrate lawfully came to its attention before the Franchisor provided it to the Franchisee directly or indirectly; which, at the time the Franchisor disclosed it to the Franchisee, already had lawfully become generally known in the food-service industry through publication or communication by others (without violating an obligation to the Franchisor); or which, after the Franchisor discloses it to the Franchisee, lawfully becomes generally known in the food-service industry through publication or communication by others (without violating an obligation to the Franchisor). However, if the Franchisor includes any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

All ideas, concepts, techniques, or materials relating to a ROCKY MOUNTAIN CHOCOLATE FACTORY Business, whether or not protectable intellectual property and whether created by or for the Franchisee or its owners or employees, must be promptly disclosed to the Franchisor and will be deemed to be the Franchisor's sole and exclusive property, part of the Licensed Methods, and works made-for-hire for the Franchisor. To the extent that any item does not qualify as a "work made-for-hire" for the Franchisor, by this paragraph the Franchisee hereby assigns ownership of that item, and all related rights to

that item, to the Franchisor, hereby waives all moral rights in that item, and hereby agrees to take whatever action (including signing assignment or other documents) the Franchisor requests to evidence the Franchisor's ownership or to help the Franchisor obtain intellectual property rights in the item (including signing assignment or other documents, and causing the Franchisee's owners, employees and contractors to do the same). The Franchisee may not use any such idea, concept, technique or material in connection with the Franchised Location without the Franchisor's prior approval.

12. ADVERTISING

12.1 **Approval of Advertising**. The Franchisee shall obtain the Franchisor's prior written approval of all advertising or other marketing or promotional programs published by any method, including print, broadcast and electronic media, regarding the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, including, without limitation, "Yellow Pages" advertising, newspaper ads, flyers, brochures, coupons, direct mail pieces, specialty and novelty items, radio, television, Internet, including social media such as Facebook and Twitter, and World Wide Web advertising. The Franchisee agrees that its advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that Franchisor prescribes at any time and from time to time. The Franchisee acknowledges and agrees that the Franchisor may disapprove of any advertising, marketing or promotional programs submitted to the Franchisor, for any reason, in the Franchisor's sole discretion. The Franchisee shall also obtain the Franchisor's prior written approval of all promotional materials provided by vendors. The proposed written advertising or a description of the marketing or promotional program shall be submitted to the Franchisor at least 10 days prior to publication, broadcast or use. The Franchisee acknowledges that advertising and promoting the ROCKY MOUNTAIN CHOCOLATE FACTORY Business in accordance with the Franchisor's standards and specifications is an essential aspect of the Licensed Methods, and the Franchisee agrees to comply with all advertising standards and specifications. The Franchisee shall display all required promotional materials, signs, point of purchase displays and other marketing materials in its ROCKY MOUNTAIN CHOCOLATE FACTORY Business in the manner prescribed by the Franchisor. The Franchisee shall not, under any circumstances, use handwritten signs in the operation of its Business. The Franchisee agrees to participate in the Franchisor's gift card program by using hardware, software and other items required by the Franchisor's designated gift card vendor. Further, the Franchisee agrees to participate in any other mandatory card programs implemented by the Franchisor in accordance with all of the Franchisor's standards and specifications. The Franchisee acknowledges and agrees that participation in a card program, whether voluntary or required, may require the Franchisee to pay fees, enter into agreements or purchase equipment or other products or services from the Franchisor or from a designated third-party supplier.

12.2 **Local Advertising**. The Franchisor reserves the right to require the Franchisee to spend up to 1% of the total amount of its quarterly Gross Retail Sales on local advertising to create public awareness of the Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business. The Franchisee will submit to the Franchisor an accounting of the amounts spent on advertising within 30 days following the end of each calendar quarter. If the Franchisee's lease requires it to advertise locally, the Franchisor may, in its sole discretion, count such expenditures toward the Franchisee's local advertising expenditure required by this Section 12.2. The Franchisee shall obtain the Franchisor's prior written approval of all written advertising and promotional materials before publication, in accordance with Section 12.1 above.

12.3 **Marketing Fund Contribution**. Recognizing the value of advertising and marketing to the goodwill and public image of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, Franchisor has established a marketing fund (the "**Marketing Fund**") for the advertising, marketing, and public relations programs and materials Franchisor deems appropriate. The Franchisee shall contribute to

the Marketing Fund the Marketing Fund Contribution specified in Section 4.3 above. The Marketing Fund Contribution shall be in addition to and not in lieu of the Franchisee's expenditures for local advertising, as described in Section 12.2 above. The following terms and conditions will apply:

a. The Marketing Fund Contribution shall be payable concurrently with the payment of the Royalties, and transmitted to the Franchisor in accordance with Sections 4.3 and 4.7 above, for all Marketing Fund Contributions for the immediately preceding month.

b. Upon written request by the Franchisee, the Franchisor will make available to the Franchisee, no later than 120 days after the end of each fiscal year, an annual accounting which indicates how the money in the Marketing Fund has been spent.

c. The Marketing Fund will be administered by the Franchisor in its sole discretion (provided that Franchisor may, in its sole discretion, designate a separate entity to operate and administer the Marketing Fund, which entity will have all of Franchisor's rights and duties as specified in this Section) with sole control over the creative concepts, graphics, materials, media, and endorsements used and their geographic, market, and media placement and allocation. The Marketing Fund may be used for creating, preparing, and producing marketing , in-store signage, in-store promotions, media advertising, direct mailings, brochures, collateral material advertising, Electronic Advertising, such as websites, blogs and social media, including Facebook and Twitter, communication by electronic mail, and advertising and public relations materials and concepts; developing, implementing, operating, and maintaining a system website, an intranet, and/or related strategies; implementing and administering gift card, stored value card and customer loyalty programs; administering national, regional, multi-regional, and local marketing, including, without limitation, purchasing advertising (including digital media/marketing); surveys of advertising effectiveness; costs of using agencies or other advisors assistance (including commissions); training programs; employing advertising agencies and in-house staff to produce advertising and marketing in various media; conducting market research; brand recognition; packaging development, logo, design or other advertising or public relations expenditures relating to advertising the Franchisee's products and services; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

d. The Franchisor will account for the Marketing Fund separately from Franchisor's other funds and not use the Marketing Fund for any of its general operating expenses. However, the Franchisor may reimburse itself for salaries and benefits of personnel who manage and administer the Marketing Fund, the Marketing Fund's other administrative costs, travel expenses of personnel while they are on Marketing Fund business, meeting costs, overhead relating to Marketing Fund business, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and other reasonable direct and indirect expenses as may be incurred by the Franchisor or its authorized representatives in connection with the programs funded by the Marketing Fund, including, without limitation, conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for Marketing Fund contributions. The Franchisor will not be liable for any act or omission with respect to the Marketing Fund that is consistent with this Agreement and is done in good faith. The Franchisor reserves the right to terminate the Marketing Fund upon 30 days' prior written notice to all franchisees and any remaining monies will be distributed pro rata based on all Businesses' contributions within the preceding 12 months.

e. The Marketing Fund will not be Franchisor's asset. Although the Marketing Fund is not a trust, Franchisor will hold all Fund contributions for the benefit of the contributors and use contributions only for the purposes described in this Section. Franchisor does not owe any fiduciary

obligation to the Franchisee for administering the Marketing Fund or any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund contributions in that year, borrow from Franchisor or others (paying reasonable interest) to cover deficits, pay back outstanding principal amounts borrowed in prior years from Franchisor or third parties, or invest any surplus for future use. Franchisor will use all interest earned on Marketing Fund contributions to pay costs before using the Marketing Fund's other assets.

f. Franchisor intends the Marketing Fund to maximize recognition of the Marks and patronage of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses. Although Franchisor will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, Franchisor need not ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to Marketing Fund contributions by ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses operating in that geographic area or that any ROCKY MOUNTAIN CHOCOLATE FACTORY Business benefits directly or in proportion to its Marketing Fund contribution from the development of advertising and marketing materials or the placement of advertising and marketing.

g. Franchisor has the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense. Franchisor also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as expressly provided in this Subsection, Franchisor assumes no direct or indirect liability or obligation to Franchisee for collecting amounts due to, maintaining, directing, or administering the Marketing Fund.

12.4 Regional Advertising Programs. The Franchisor reserves the right upon 30 days' prior written notice to the Franchisee, to create a regional advertising association ("**Co-op**") for the benefit of ROCKY MOUNTAIN CHOCOLATE FACTORY franchisees located within a particular geographic area. If a Co-op is established for the area where the Franchisee is located, the Franchisee will be required to participate in the Co-op for the purpose of selecting and participating in regional marketing and promotion programs for ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses. The Franchisee will be required to remain a member of and be bound by the decisions of the majority of the members of the Co-op regarding expenditures, assessments and dues of the Co-op, to the extent that they are approved by the Franchisor. The Franchisor may require the Franchisee to allocate up to 50% of its Marketing Fund Contribution under Section 12.3 as a required advertising contribution to the Co-op. Each Co-op has the right, by majority vote, to require its members to pay additional monthly dues to the Co-op. The failure of the Franchisee to participate in the Co-op or pay any dues required by the Co-op, may, at the option of the Franchisor, be deemed to be a breach of this Agreement. The Franchisor has the right, in its sole discretion, to determine the composition of all geographic territories and market areas for the implementation of such regional advertising and promotion campaigns and to require that the Franchisee participate in such regional advertising programs as and when they may be established by the Franchisor. If a regional advertising program is implemented on behalf of a particular region by the Franchisor, the Franchisor, to the extent reasonably calculable, will only use contributions from ROCKY MOUNTAIN CHOCOLATE FACTORY franchisees within such region for the particular regional advertising program. The Franchisor reserves the right to seek reimbursement from the Co-op for reasonable administrative costs, salaries and overhead as the Franchisor may incur in activities related to the implementation and administration of the Co-op and marketing programs. The Franchisor also reserves the right to establish an advertising cooperative for a particular region to enable the cooperative to self-administer the regional advertising program; provided that the Franchisor shall have the right to review and approve the governing documents of a self-administered cooperative.

12.5 Marketing Services. The Franchisor may, in its sole discretion, offer marketing and merchandising services to the Franchisee at rates that are competitive with those charged by third parties offering similar services. The Franchisee may utilize such services, if they are offered, at the Franchisee's option. Services offered by the Franchisor may include marketing consulting, graphic design, copywriting, advertising, public relations and merchandising consultations.

12.6 Electronic Advertising. The Franchisee shall not develop, create, contribute to, distribute, disseminate or use any electronic or Internet communication, including blogs, instant message services such as Twitter, social media sites such as Facebook, professional networks like LinkedIn, other electronic communications, or any multimedia, telecommunications, mass electronic mail messages, facsimile, virtual worlds, audio and video-sharing sites, other audio/visual advertising, promotional or marketing materials, and other similar social networking or media sites or tools ("**Electronic Advertising**"), directly or indirectly related to the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, the Marks, the Licensed Methods, other franchisees, other ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, the Franchisor, its employees and affiliates, without the Franchisor's prior written consent which may be withheld in the Franchisor's sole discretion. The Franchisee acknowledges and agrees that it will not post a blog, create or contribute to a website, engage in any type of social networking or conduct any type of Internet communication that refers to the Marks, the Licensed Methods, the Franchisor, its affiliates and employees, any ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses or other franchisees without the Franchisor's prior written permission. The Franchisor shall retain the exclusive right to develop, publish and control the content of all Electronic Advertising for ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses. The Franchisor reserves the right, upon 30 days' prior written notice, to require the Franchisee to participate in any Electronic Advertising of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses sponsored by the Franchisor. If the Franchisor permits the Franchisee to develop any Electronic Advertising, the Franchisee shall do so in strict compliance with the Franchisor's policies and rules regarding the creation, maintenance, use, publication and content of such Electronic Advertising as set forth in this Agreement or the Operations Manual. The Franchisee shall not publish or communicate any of the Franchisor's confidential information using the Internet, and the Franchisee shall not publish or communicate any of the Franchisor's copyrighted material or information containing the Marks or any of the Licensed Methods using the Internet without the Franchisor's prior written permission; nor shall the Franchisee assist any other party in doing so. Any amounts that the Franchisee spends to participate in Electronic Advertising that has been approved by the Franchisor in advance shall be credited toward the Franchisee's local advertising obligations if the Franchisee is required to advertise locally. The Franchisor reserve the right to periodically review any Electronic Advertising and to revoke its approval of any Electronic Advertising in its sole discretion.

13. QUALITY CONTROL

13.1 Compliance with Operations Manual. The Franchisee agrees to maintain and operate the ROCKY MOUNTAIN CHOCOLATE FACTORY Business in compliance with this Agreement and the standards and specifications contained in the Operations Manual, as the same may be modified from time to time by the Franchisor.

13.2 Standards and Specifications. The Franchisor will make available to the Franchisee standards and specifications for products and services offered at or through the ROCKY MOUNTAIN CHOCOLATE FACTORY Business and specifically, for the recipes for Store Made Product, display cases, furniture, fixtures, equipment, uniforms, materials, forms, menu boards, items and supplies used in connection with the Business. The Franchisor reserves the right to change standards and specifications for services and products offered at or through the ROCKY MOUNTAIN CHOCOLATE FACTORY Business and for the recipes for Store Made Product, display cases, furniture, fixtures, equipment, uniforms, materials, forms, items and supplies used in connection with the Business upon 30 days prior written notice

to the Franchisee. The Franchisee shall strictly adhere to all of the Franchisor's current standards and specifications for the ROCKY MOUNTAIN CHOCOLATE FACTORY Business as prescribed from time to time. The Franchisee agrees that the Franchisor may offer mandatory programs ("**Programs**") from time to time that allow the Franchisee to offer additional products and services in the Business, subject to terms and conditions which may change in the Franchisor's sole discretion. All terms and conditions related to a Program shall be deemed to be a part of the Operations Manual and Franchisee shall adhere to them accordingly. The Franchisor reserves the right to modify any Program or discontinue a Program, in the Franchisor's sole discretion.

13.3 Inspections. The Franchisor and its designated agents or representatives shall have the right to examine the Franchised Location, including the inventory, products, equipment, materials and supplies, to ensure compliance with all standards and specifications set by the Franchisor. The Franchisor shall conduct such inspections during regular business hours and the Franchisee may be present at such inspections. The Franchisor, however, reserves the right to conduct the inspections without prior notice to the Franchisee. Franchisee agrees to cooperate with Franchisor fully. If Franchisor exercises any of these rights, it will not interfere unreasonably with the Franchised Location's operation. Franchisee acknowledges that any examination or inspection that Franchisor or its designated agents or representatives conduct is conducted in order to protect Franchisor's interests in the Licensed Methods and Marks and is not intended to exercise, and does not constitute, in whole or in part, control over the day-to-day operation of the Franchised Location and Franchisee agrees to never contend otherwise.

13.4 Restrictions on Services and Products. The Franchisee will be required to purchase all of its Durango Product for its ROCKY MOUNTAIN CHOCOLATE FACTORY Business from the Franchisor or its designee. Durango Product shall consist of any and all varieties from time to time made available to the Franchisor's franchisees by the Franchisor and its designated suppliers. The parties hereby acknowledge the uniqueness and importance of Durango Product being prepared by the Franchisor or its designee in order to maintain the uniformity, quality and uniqueness of Durango Product, and therefore, the Franchisor and its designees are hereby appointed the Franchisee's exclusive source of Durango Product. The Franchisee is prohibited from offering or selling any products or services not expressly authorized in writing by the Franchisor, including, without limitation, offering candy making classes, operating a catering or wholesale business, or offering Durango Product, Items, Store Made Product or other authorized products for sale on a wholesale basis or on a retail basis away from the Franchised Location, including on the Internet. If the Franchisee proposes to offer, conduct or utilize any products, services, materials, forms, items or supplies for use in connection with or sale through the ROCKY MOUNTAIN CHOCOLATE FACTORY Business which are not previously approved by the Franchisor as meeting its specifications, the Franchisee shall first notify the Franchisor in writing requesting approval. The Franchisor may, in its sole discretion, for any reason whatsoever, elect to withhold such approval. In order to make such determination, the Franchisor may require submission of specifications, information, or samples of such products, services, materials, forms, items or supplies. The Franchisor will advise the Franchisee within a reasonable time whether such products, services, materials, forms, items or supplies meet its specifications. The Franchisor and its affiliates may mark up and profit on the sale of goods and services to the Franchisee and/or receive payments, rebates, or other material consideration from suppliers on account of such suppliers' dealings with the Franchisee and other franchise owners, and may use any amounts so received without restriction and for any purpose the Franchisor and its affiliates deem appropriate. The Franchisor may concentrate purchases with one or more suppliers or distributors to obtain lower prices or the best advertising support or services.

13.5 Approved Suppliers. The Franchisee shall purchase all products, services, supplies and materials required for the operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business licensed herein, from manufacturers, suppliers or distributors designated by the Franchisor or, if there is no designated supplier for a particular product, service, supply or material, from such other suppliers who meet

all of the Franchisor's specifications and standards as to quality, composition, finish, appearance and service, and who shall adequately demonstrate their capacity and facilities to supply the Franchisee's needs in the quantities, at the times, and with the reliability requisite to an efficient operation.

13.6 Request to Change/Approval of New Supplier. If the Franchisee would like to purchase any items from any unapproved supplier or distributor, the Franchisee must submit to the Franchisor a written request for approval of the proposed supplier or distributor. The Franchisor has the right to inspect the proposed supplier's or distributor's facilities, and to require product samples from the proposed supplier or distributor to be delivered at the Franchisor's option either directly to the Franchisor or to any independent, certified laboratory which the Franchisor designates for testing. Either the Franchisee or the proposed supplier or distributor must pay the Franchisor a fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. The Franchisor has no obligation to approve any new supplier, product, or service the Franchisee proposes. Approval of a supplier or distributor may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending the Franchisor's continued evaluation of the supplier or distributor at any time and from time to time. The Franchisor reserves the right to periodically re-inspect the facilities and products of any approved supplier or distributor and to revoke its approval if the supplier or distributor does not continue to meet any of the Franchisor's criteria. .

14. TRADEMARKS, TRADE NAMES AND PROPRIETARY INTERESTS

14.1 Marks. The Franchisee hereby acknowledges that the Franchisor has the sole right to license and control the Franchisee's use of the ROCKY MOUNTAIN CHOCOLATE FACTORY service mark and other of the Marks, and that such Marks shall remain under the sole and exclusive ownership and control of the Franchisor. The Franchisee acknowledges that it has not acquired any right, title or interest in such Marks except for the right to use such Marks in the operation of its ROCKY MOUNTAIN CHOCOLATE FACTORY Business as it is governed by this Agreement. The Franchisee's right to use the Marks is derived only from this Agreement and is limited to the Franchisee's operating the Franchised Location according to this Agreement and the Licensed Methods the Franchisor prescribes during the term of this Agreement. The Franchisee's unauthorized use of the Marks is a breach of this Agreement and infringes the Franchisor's rights in the Marks. The Franchisee acknowledges and agrees that its use of the Marks and any goodwill established by that use are exclusively for the Franchisor's benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon the Franchisee (other than the right to operate the Franchised Location under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks the Franchisor authorizes the Franchisee to use. The Franchisee may not at any time during or after the term of this Agreement contest, or assist any other person in contesting, the validity, or the Franchisor's ownership, of the Marks. Except as permitted in the Operations Manual, the Franchisee agrees not to use any of the Marks as part of an electronic mail address, or on any sites on the Internet or World Wide Web and the Franchisee agrees not to use or register any of the Marks as a domain name on the Internet.

14.2 No Use of Other Marks. The Franchisee further agrees that no service mark other than "ROCKY MOUNTAIN CHOCOLATE FACTORY" or such other Marks as may be specified by the Franchisor shall be used in the marketing, promotion or operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business.

14.3 Licensed Methods. The Franchisee hereby acknowledges that the Franchisor owns and controls the distinctive plan for the establishment, operation and promotion of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business and all related licensed methods of doing business, previously defined

as the "**Licensed Methods**", which include, but are not limited to, premium chocolate specialty recipes and cooking methods, confectionery ordering, processing, manufacturing, stocking and inventory control, technical equipment standards, order fulfillment methods and customer relations, marketing techniques, written promotional materials, advertising, accounting systems, and the contents of the Operations Manual, all of which constitute trade secrets of the Franchisor, and the Franchisee acknowledges that the Franchisor has valuable rights in and to such trade secrets. The Franchisee further acknowledges that it has not acquired any right, title or interest in the Licensed Methods except for the right to use the Licensed Methods in the operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business as it is governed by this Agreement.

14.4 Effect of Termination. In the event this Agreement is terminated for any reason, the Franchisee shall immediately cease using any of the Licensed Methods and Marks, trade names, trade dress, trade secrets, copyrights or any other symbols used to identify the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, and all rights the Franchisee had to the same shall automatically terminate. The Franchisee agrees to execute any documents of assignment as may be necessary to transfer any rights the Franchisee may possess in and to the Marks.

14.5 Mark Infringement. The Franchisee agrees to notify the Franchisor in writing of any possible infringement or illegal use by others of a trademark the same as or confusingly similar to the Marks which may come to its attention. The Franchisee acknowledges that the Franchisor shall have the right, in its sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. The Franchisor may commence or prosecute such action in the Franchisor's own name and may join the Franchisee as a party thereto if the Franchisor determines it to be reasonably necessary for the continued protection and quality control of the Marks and Licensed Methods. The Franchisor shall bear the reasonable cost of any such action, including attorneys' fees. The Franchisee agrees to fully cooperate with the Franchisor in any such litigation. The Franchisee may retain its own counsel in any such action and will bear the costs and expenses related thereto.

14.6 Franchisee's Business Name and Domain Name. The Franchisee acknowledges that the Franchisor has a prior and superior claim to the ROCKY MOUNTAIN CHOCOLATE FACTORY trade name. The Franchisee shall not use any of the words "ROCKY MOUNTAIN CHOCOLATE FACTORY" or abbreviations thereof in the legal name of its corporation, limited liability company or any other business entity used in conducting the business provided for in this Agreement. The Franchisee also agrees not to register or attempt to register an Internet domain name or a trade name with a state using any of the words "ROCKY MOUNTAIN CHOCOLATE FACTORY" or abbreviations thereof, without the prior written consent of the Franchisor. When this Agreement expires or terminates, the Franchisee shall execute any assignment or other document the Franchisor requires to transfer to the Franchisor any rights the Franchisee may possess in a trade name or an Internet domain name utilizing any or all of the words "ROCKY MOUNTAIN CHOCOLATE FACTORY," any abbreviations thereof or any other Mark owned by the Franchisor. The Franchisee further agrees that it will not identify itself as being "Rocky Mountain Chocolate Factory, Inc." or as being associated with the Franchisor in any manner other than as a franchisee or licensee. The Franchisee further agrees that in all advertising and promotion and promotional materials it will display its business name only in obvious conjunction with the phrase "ROCKY MOUNTAIN CHOCOLATE FACTORY Licensee" or "ROCKY MOUNTAIN CHOCOLATE FACTORY Franchisee" or with such other words and in such other phrases as may from time to time be prescribed in the Operations Manual, in the Franchisor's sole discretion.

14.7 Change of Marks. In the event that the Franchisor, in its sole discretion, shall determine it necessary to modify or discontinue use of any proprietary Marks, or to develop additional or substitute marks, the Franchisee shall, within a reasonable time after receipt of written notice of such a modification or discontinuation from the Franchisor, take such action, at the Franchisee's sole expense, as may be

necessary to comply with such modification, discontinuation, addition or substitution, provided, however, that the Franchisee will not be required to completely rebrand the entire Business on more than one occasion during the term of this Agreement.

14.8 **Creative Ownership**. All copyrightable works created by the Franchisee or any of its owners, officers or employees in connection with the Business shall be the sole property of the Franchisor. The Franchisee assigns all proprietary rights, including copyrights, in these works to the Franchisor without additional consideration. The Franchisee hereby assigns and will execute such additional assignments or documentation to effectuate the assignment of all intellectual property, inventions, copyrights and trade secrets developed in part or in whole in relation to the Business, during the term of this Agreement, as the Franchisor may deem necessary in order to enable it, at its expense, to apply for, prosecute and obtain copyrights, patents or other proprietary rights in the United States and in foreign countries or in order to transfer to the Franchisor all right, title, and interest in said property. The Franchisee shall promptly disclose to the Franchisor all inventions, discoveries, improvements, recipes, creations, patents, copyrights, trademarks and confidential information relating to the Business which it or any of its owners, officers or employees has made or may make solely, jointly or commonly with others and shall promptly create a written record of the same. In addition to the foregoing, the Franchisee acknowledges and agrees that any improvements or modifications, whether or not copyrightable, directly or indirectly related to the Business, shall be deemed to be a part of the Licensed Methods and shall inure to the benefit of the Franchisor.

14.9 **Non-Disparagement**. The Franchisee and the Franchisor agree that neither of them shall take any action or make any statements to any third parties that would constitute a criticism, denigration or disparagement of the other or of the Licensed Methods or would tend to be injurious to the reputation or goodwill of the Marks, or which in any manner might interfere with the business affairs or business relations of either the Franchisor or the Franchisee.

15. REPORTS, RECORDS AND FINANCIAL STATEMENTS

15.1 **Franchisee Reports**. The Franchisee shall establish and maintain at its own expense a bookkeeping and accounting system which conforms to the specifications which the Franchisor may prescribe from time to time, including specified off-the-shelf software that must be used to prepare all reports and financial statements submitted to the Franchisor, and the Franchisor's current "Standard Code of Accounts" as described in the Operations Manual. The Franchisor reserves the right to require the Franchisee to purchase and use other specified bookkeeping software and to update and maintain the bookkeeping software from time to time, at the Franchisee's expense. The Franchisee shall supply to the Franchisor such reports in a manner and form as the Franchisor may from time to time reasonably require, including:

a. Monthly summary reports, in a form as may be prescribed by the Franchisor, electronically delivered via secure upload to Franchisor's designated financial analytics platform or, if so requested by Franchisor in its sole discretion, mailed to the Franchisor postmarked no later than the 15th day of the month and containing information relative to the previous month's operations;

b. Quarterly financial statements, prepared in accordance with generally accepted accounting principles ("**GAAP**"), and consisting of a profit and loss statement and balance sheet for the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, operating statements, statistical reports, purchase records, and other information the Franchisor requests, electronically delivered via secure upload to Franchisor's designated financial analytics platform or, if so requested by Franchisor in its sole discretion, mailed to the Franchisor postmarked no later than the 15th day following the end of the calendar quarter, based on operating results of the prior quarter,

which shall be submitted in a form approved by the Franchisor and shall be certified by the Franchisee to be correct; and

c. Within 30 days of the Franchisor's request, any other information the Franchisor periodically requires relating to the Franchised Location.

The Franchisor reserves the right to disclose data derived from all financial and accounting reports received from the Franchisee to other franchisees and affiliates in the ROCKY MOUNTAIN CHOCOLATE FACTORY system with information identifying the Franchisee. The Franchisor also reserves the right to disclose data derived from the Franchisee's financial and accounting reports to parties outside of the ROCKY MOUNTAIN CHOCOLATE FACTORY system, without identifying the Franchisee, except to the extent identification of the Franchisee is required by law. The Franchisee consents to the Franchisor obtaining financial and customer information regarding the Business and its operations from third parties with whom the Franchisee does business, as and when deemed necessary by the Franchisor.

15.2 Annual Financial Statements. The Franchisee shall, within 90 days after the end of its fiscal year, provide to the Franchisor annual unaudited financial statements, compiled or reviewed by an independent certified public accountant acceptable to and approved by the Franchisor and prepared in accordance with GAAP, and state and federal income tax returns prepared by a certified public accountant. If these financial statements or tax returns show an underpayment of any amounts owed to the Franchisor, these amounts shall be paid to the Franchisor concurrently with the submission of the statements or returns.

15.3 Verification. Each report and financial statement to be submitted to the Franchisor hereunder shall be signed and verified by the Franchisee.

15.4 Books and Records. The Franchisee shall maintain all books and records for its ROCKY MOUNTAIN CHOCOLATE FACTORY Business in accordance with GAAP, consistently applied, and preserve these records for at least five years after the fiscal year to which they relate.

15.5 Audit of Books and Records. The Franchisee shall permit the Franchisor to inspect and audit the books and records of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business at any reasonable time, at the Franchisor's expense. If any audit discloses a deficiency in amounts for payments owed to the Franchisor pursuant to this Agreement, then such amounts shall become immediately payable to the Franchisor by the Franchisee, with interest from the date such payments were due at the lesser of 1½% per month or the maximum rate allowed by law. If the Franchisee (1) fails to furnish required reports or supporting records on a timely basis for two or more consecutive reporting periods; (2) fails to have sufficient funds available to pay Royalties and Marketing Fund Contributions for two or more consecutive reporting periods; (3) fails to have books and records available for an audit after receiving reasonable advance notice from the Franchisor, or otherwise fails to cooperate with the Franchisor's requested inspection and audit; or (4) understates its Gross Retail Sales for the period of any audit by greater than 5%, then the Franchisee will reimburse the Franchisor for the cost of the audit and inspection, including, without limitation, attorneys' fees, independent accountants' fees, and the travel expenses, room and board and compensation of the Franchisor's employees who conducted the audit and inspection.

15.6 Failure to Comply with Reporting Requirements. If the Franchisee fails to prepare and submit any statement or report as required under this Article 15, then the Franchisor shall have the right to treat the Franchisee's failure as good cause for termination of this Agreement. In addition to all other remedies available to the Franchisor, in the event that the Franchisee fails to prepare and submit any statement or report required under this Article 15 for two consecutive reporting periods, the Franchisor shall be entitled to audit, at the expense of the Franchisee, the Franchisee's books, records and accounts, including the Franchisee's bank accounts, which in any way pertain to the Gross Retail Sales or the Adjusted

Gross Retail Sales of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business. The statements or reports not previously submitted shall be prepared by or under the direction and supervision of an independent certified public accountant selected by the Franchisor.

15.7 Shopping Service. The Franchisor reserves the right to use third party shopping services from time to time to evaluate the conduct of the Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business, including such things as customer service, cleanliness, merchandising and proper use of registers. The Franchisor may use such shopping services to inspect the Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business at any time at the Franchisor's expense, without prior notification to the Franchisee. The Franchisor may make the results of any such service evaluation available to the Franchisee, in the Franchisor's sole discretion.

16. TRANSFER

16.1 Transfer by Franchisee. The franchise granted herein is personal to the Franchisee and, except as stated below, the Franchisor shall not allow or permit any transfer, assignment, subfranchise or conveyance of this Agreement or any interest hereunder nor purport to do so without the Franchisor's prior written consent which may be withheld in the Franchisor's reasonable discretion. The Franchisee acknowledges that prior to approving any transfer, the Franchisor may impose reasonable conditions on the Franchisee and its purported transferee including but not limited to those conditions listed in Section 16.2. As used in this Agreement, the term "**transfer**" includes the Franchisee's voluntary, involuntary, direct or indirect assignment, sale, gift, merger, consolidation, exchange or other disposition of any interest in: (1) this Agreement; (2) the ownership of the Franchisee entity or any ownership interest in any of Franchisee entity's owners (if such owners are legal entities); (3) the Business governed by this Agreement (or any right to receive all or a portion of the Business's profits or losses or capital appreciation related to the Business); or (4) all or a substantial portion of the assets of the Business. The term "transfer" shall include an assignment, sale, gift or other disposition, including those transfers described in Sections 16.5 and 16.7 and those resulting from a divorce, insolvency, corporate or partnership dissolution proceeding, merger, consolidation, exchange, public or private offering of stock or other ownership interests in an entity, change of control, operation of law or, in the event of the death of the Franchisee, or an owner of the Franchisee by will, declaration of or transfer in trust or under the laws of intestate succession. For the purposes of this Article 16, "**change of control**" of a Franchisee that is an entity shall mean a transfer, new issuance or assignment of 25% or more of the Franchisee's beneficial equity ownership interests.

16.2 Pre-Conditions to Franchisee's Transfer. The Franchisee shall not engage in a transfer unless the Franchisee obtains the Franchisor's written consent and the Franchisee and the proposed transferee comply with the following requirements:

a. All amounts due and owing pursuant to this Agreement by the Franchisee to the Franchisor or its affiliates or to third parties whose debts or obligations the Franchisor has guaranteed on behalf of the Franchisee, if any, are paid in full;

b. The proposed transferee agrees to operate the Business as a ROCKY MOUNTAIN CHOCOLATE FACTORY Business and agrees to complete the initial training program to the Franchisor's satisfaction prior to the effectiveness of the transfer;

c. The proposed transferee agrees to execute the then current form of Franchise Agreement which shall supersede this Agreement in all respects. The proposed transferee also agrees to execute all then current or otherwise applicable addenda to the Franchise Agreement. If a new Franchise Agreement is signed, the terms thereof may differ from the terms of this Agreement; provided, however, the transferee will not be required to pay any initial franchise fee;

d. The Franchisee provides written notice to the Franchisor 30 days' prior to the proposed effective date of the transfer, and includes information reasonably detailed to enable the Franchisor to evaluate the terms and conditions of the proposed transfer and which at a minimum includes a written offer from the proposed transferee. If the Franchisee is an entity and one or more owners of the Franchisee entity wish to transfer, sell, assign, or otherwise dispose of his or her interest in the Franchisee entity or if the Franchisee entity wishes to make a public or private offer of its stock or other ownership interests, the Franchisee must submit to the Franchisor at least 30 days in advance of the proposed effective date, and obtain the Franchisor's prior written approval, of the documents effectuating the transfer, sale, assignment, offering or disposition;

e. The proposed transferee provides information to the Franchisor sufficient for the Franchisor to assess the proposed transferee's business experience, aptitude and financial qualification, and the Franchisor approves the proposed transferee as a franchisee;

f. neither the transferee nor its owners (if the transferee is an entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a competitive business;

g. The Franchisee (and its transferring owners) execute a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor, its affiliates and their respective officers, directors, employees and agents;

h. The Franchisee or the proposed transferee pay a nonrefundable transfer fee of $5,000 before the proposed transferee attends the initial training program; provided, however, that no transfer fee will be charged for a transfer by the Franchisee to a corporation wholly-owned by the Franchisee, or to a spouse of an individual Franchisee upon the death or disability of the individual Franchisee;

i. The Franchisee's lessor consents in writing to the transfer of the lease or sublease of the Franchised Location to the transferee (or, if Franchisor is subleasing the Franchised Location to the Franchisee under a sublease, the master lessor consents in writing to the transfer of the sublease to the transferee and the transferee agrees in writing to assume the Franchisee's obligations under the sublease);

j. The Franchisee or transferee remodels the Business and upgrades equipment, including installing the Franchisor's then current POS System, fixtures, furnishings and signage, and paying a design fee, if a Business design is necessary in the Franchisor's sole discretion;

k. Franchisor has determined that the purchase price and payment terms will not adversely affect the transferee's operation of the Franchised Location; and

l. The Franchisee and its transferring owners agree to abide by all post-termination covenants set forth herein, including, without limitation, the covenant not to compete in Section 20.2 below.

16.3 Franchisor's Approval of Transfer. The Franchisor has 30 days from the date of the written notice to approve or disapprove in writing, of the Franchisee's proposed transfer. The Franchisee acknowledges that the proposed transferee shall be evaluated for approval by the Franchisor based on the same criteria as is currently being used to assess new franchisees of the Franchisor and that the Franchisor shall provide such proposed transferee, if appropriate, with such disclosures as may be required by state or federal law. If the Franchisee and its proposed transferee comply with all conditions for transfer set forth

herein and the Franchisor has not given the Franchisee notice of its approval or disapproval within such period, the transfer is deemed disapproved.

16.4 Right of First Refusal. If the Franchisee (or any of its owners) at any time determine to sell or transfer for consideration an interest in this Agreement and the Franchised Location, or an ownership interest in the Franchisee (except to or among the Franchisee's current owners, which is not subject to this Section), in a transaction that otherwise would be allowed under Sections 16.2 and 16.3 above, the Franchisee (or its owners) agree to obtain from a responsible and fully disclosed buyer, and send the Franchisor, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in the Franchisee or in this Agreement and the Franchised Location. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to 5 percent or more of the offering price.

The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections 16.2 and 16.3 above. The Franchisor may require the Franchisee (or its owners) to send the Franchisor copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

The Franchisor may, by written notice delivered to the Franchisee or its selling owner(s) within 30 days after the Franchisor receives both an exact copy of the offer and all other information the Franchisor requests, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

a. The Franchisor may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity);

b. The Franchisor's credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, the Franchisor or its designee may provide promissory notes with the same terms as those offered by the proposed buyer);

c. The Franchisor will have an additional 30 days to prepare for closing after notifying the Franchisee of the Franchisor's election to purchase; and

d. The Franchisor must receive, and the Franchisee and its owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding: (a) ownership and condition of and title to ownership interests and/or assets; (b) liens and encumbrances relating to ownership interests and/or assets; and (c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

If the Franchisor exercises its right of first refusal, the Franchisee and its selling owner(s) agree that, for two years beginning on the closing date, the Franchisee and its selling owner(s) will be bound by the non-competition covenant contained in Section 20.2 below. The Franchisor has the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section.

If the Franchisor does not exercise its right of first refusal, the Franchisee and its owners may complete the sale to the proposed buyer on the original offer's terms, but only if the Franchisor otherwise approves the transfer in accordance with, and the Franchisee (and its owners) and the transferee comply

with the conditions in, Sections 16.2 and 16.3 above. This means that, even if the Franchisor does not exercise its right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Sections 16.2 and 16.3 above, the Franchisee (or its owners) may not move forward with the transfer at all.

If the Franchisee does not complete the sale to the proposed buyer within 60 days after the Franchisor notifies the Franchisee that the Franchisor does not intend to exercise its right of first refusal, or if there is a material change in the terms of the sale (which the Franchisee agrees to tell the Franchisor promptly), the Franchisor or its designee will have an additional right of first refusal during the thirty day period following either the expiration of the sixty day period or the Franchisor's receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at the Franchisor's or its designee's option.

16.5 Types of Transfers. The Franchisee acknowledges that the Franchisor's right to approve or disapprove of a proposed transfer as provided for above, shall apply (1) if the Franchisee is a partnership, corporation or other business association, (i) to the addition or deletion of a partner, shareholder or members of the association or the transfer of any ownership interest among existing partners, shareholders or members; (ii) to any proposed transfer of 25% or more of the interest (whether stock, partnership interest or membership interest) to a third party, whether such transfer occurs in a single transaction or several transactions; and (2) if the Franchisee is an individual, to the transfer from such individual or individuals to a corporation or other entity controlled by them, in which case the Franchisor's approval will be conditioned upon: (i) the continuing personal guarantee of the individual (or individuals) for the performance of obligations under this Agreement; and (ii) a limitation on the corporation's or other entity's business activity to that of operating the ROCKY MOUNTAIN CHOCOLATE FACTORY Business and related activities provided that with respect to such transfer, the Franchisor's right of first refusal to purchase shall not apply and the Franchisor will not charge any transfer fee.

16.6 Transfer by the Franchisor. Franchisor may change its ownership or form and/or assign this Agreement or any interest therein and any other agreement to a third party without restriction or notice to Franchisee and this Agreement shall inure to the benefit of any assignee or other legal successor in interest, and the Franchisor shall in such event be fully released from the same.

16.7 Franchisee's Death or Disability. Upon the death or permanent disability of the Franchisee (or individual owning 25% or more of, or controlling the Franchisee entity), the personal representative of such person shall transfer the Franchisee's interest in this Agreement or such interest in the Franchisee entity to an approved third party. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed 120 days from the date of death or permanent disability (unless extended by probate proceedings), and shall be subject to all terms and conditions applicable to transfers contained in this Article 16. Provided, however, that for purposes of this Section 16.7, there shall be no transfer fee charged by the Franchisor. Failure to transfer the interest within said period of time shall constitute a breach of this Agreement. For the purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent the Franchisee (or the owner of 25% or more of, or controlling, the Franchisee entity) from supervising the management and operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business for a period of 120 days from the onset of such disability, impairment or condition.

17. TERM AND EXPIRATION

17.1 Term. The term of this Agreement begins on the date this Agreement is fully executed and ends 10 years later, unless sooner terminated as provided herein.

17.2 Rights Upon Expiration. If the Franchisee meets certain conditions, the Franchisee will have the option to acquire 2 additional consecutive successor renewal terms (each a "**Renewal Term**"). Each of the Renewal Terms will be 5 years in duration. The qualifications and conditions for the first Renewal Term are described below. The qualifications and conditions for the second Renewal Term will be described in the form of franchise agreement signed upon the expiration of this Agreement. At the end of the initial term hereof, the Franchisee shall have the option to renew its franchise rights if the Franchisee:

a. At least 30 days prior to expiration of the term, executes the form of Franchise Agreement then in use by the Franchisor;

b. Has complied with all provisions of this Agreement during the current term, including, without limitation, the payment on a timely basis of all Royalties and other fees due hereunder;

c. if the Franchisee (and each of its owners) are, both on the date the Franchisee gives the Franchisor written notice of its election to acquire a successor franchise (as provided in Section 17.3 below) and on the date on which the renewal term of the successor franchise would commence, in full compliance with this Agreement;

d. Maintains possession of and upgrades and/or remodels the ROCKY MOUNTAIN CHOCOLATE FACTORY Business and its operations at the Franchisee's sole expense (the necessity of which shall be in the sole discretion of the Franchisor) to conform with the then current Operations Manual;

e. Executes a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its affiliates, and their respective officers, directors, employees and agents arising out of or relating to this Agreement; and

f. Pays a successor franchise fee of $5,000 for new ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses.

17.3 Exercise of Option for Successor Franchise. The Franchisee may exercise its option for a successor franchise by giving written notice of such exercise to the Franchisor not later than 90 days prior to the scheduled expiration of this Agreement. If the Franchisee fails to provide such notice to the Franchisor within the time frame set forth in the preceding sentence, but notifies the Franchisor of its desire to obtain a successor franchise prior to the expiration of the then-current term of this Agreement, the Franchisee shall pay the Franchisor a penalty of $1,000 for every 30-day period that the Franchisee was late, plus attorneys' and administrative fees and expenses attributable to such late renewal. The Franchisee's successor franchise rights shall become effective by signing the Franchise Agreement then currently being offered to new franchisees of the Franchisor.

17.4 Conditions of Refusal. The Franchisor shall, within 30 days after receiving notice from the Franchisee, provide the Franchisee with a written decision of whether the Franchisor will grant a successor franchise. The Franchisor's notice will state if Franchisor decides not to grant the Franchisee a successor franchise based on its determination that the Franchisee and its owners have not substantially complied with this Agreement during the term or were not in full compliance with this Agreement on the date the Franchisee gave the Franchisor written notice of its election to acquire a successor franchise. If the Franchisor elects not to grant the Franchisee a successor franchise, the Franchisor's notice will describe the reasons for its decision. Upon the expiration of this Agreement, the Franchisee (and its owners) shall comply with the provisions of Section 18.5 below.

18. DEFAULT AND TERMINATION

18.1 **Termination by Franchisor - Effective Upon Notice**. The Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted the Franchisee hereunder, without affording the Franchisee any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective when notice is sent to the Franchisee, addressed as provided in Section 22.14, upon the occurrence of any of the following events:

a. **Misrepresentation**. If the Franchisee (or any of its owners) have made or make any material misrepresentation or omission in acquiring the right to operate or operating the ROCKY MOUNTAIN CHOCOLATE FACTORY Business;

b. **Failure to Open**. If the Franchisee fails to open the Franchised Location within the time period prescribed by Section 5.7 of this Agreement;

c. **Failure to Complete Training**. If the Franchisee, its General Manager or any of its designees fail to satisfactorily complete the initial training program;

d. **Abandonment**. If the Franchisee ceases to operate the ROCKY MOUNTAIN CHOCOLATE FACTORY Business or otherwise abandons the ROCKY MOUNTAIN CHOCOLATE FACTORY Business for a period of five consecutive days, or any shorter period that indicates an intent by the Franchisee to discontinue operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, unless and only to the extent that full operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business is suspended or terminated due to fire, flood, earthquake or other similar causes beyond the Franchisee's control and not related to the availability of funds to the Franchisee;

e. **Insolvency; Assignments**. If the Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by the Franchisee, or by others against the Franchisee under any insolvency, bankruptcy or reorganization act, (this provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.), or if the Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed by the Franchisee;

f. **Unsatisfied Judgments; Levy; Foreclosure**. If any material judgment (or several judgments which in the aggregate are material) is obtained against the Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against the Franchisee's business or any of the property used in the operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business and is not discharged within five days; or if the real or personal property of the Franchisee's business shall be sold after levy thereupon by any sheriff, marshal or constable;

g. **Criminal Conviction**. If the Franchisee or any of its owners is convicted of, or pleads no contest to, a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the Licensed Methods, Marks, goodwill or reputation thereof;

h. **Failure to Make Payments**. If the Franchisee fails to pay any amounts due the Franchisor or affiliates, including any amounts which may be due as a result of any subleases or lease assignments between the Franchisee and the Franchisor, within 10 days after receiving notice that such fees or amounts are overdue;

i. **Misuse of Marks**. If the Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Franchisor's Marks and fails to correct the misuse or failure within ten days after notification from the Franchisor;

j. **Unauthorized Disclosure**. If the Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual or any other trade secrets or confidential information of the Franchisor;

k. **Unauthorized Representation or Warranty**. If the Franchisee makes any representation or warranty on behalf of Franchisor that has not been specifically authorized in writing by Franchisor;

l. **Unsafe Operation**. The Franchisee violates any health, safety, or sanitation law, ordinance, or regulation, or operates the Franchised Location in an unsafe manner, and does not begin to cure the violation immediately, and correct the violation within 72 hours, after the Franchisee receives notice from Franchisor or any other party;

m. **Interference with Inspections**. The Franchisee interferes with Franchisor's right to inspect the Franchised Location;

n. **Repeated Noncompliance**. If the Franchisee has received two previous notices of default from the Franchisor and is again in default of this Agreement at any time during the term of this Agreement, regardless of whether the previous defaults were cured by the Franchisee, provided, however, that following the Franchisee's receipt of three notices of default, the Franchisor reserves the right to assess a penalty in the amount of the then current initial franchise fee payable within 10 days of receipt of notice related thereto, and to require the Franchisee to sign the Franchisor's then current form of Franchise Agreement for the remainder of the term of the Franchisee's previous Franchise Agreement in lieu of immediately terminating the Franchise Agreement, on the condition that a fourth notice of default may result in immediate termination of the Franchise Agreement; or

o. **Unauthorized Transfer**. If the Franchisee sells, transfers or otherwise assigns the Franchise, an interest in the Franchise or the Franchisee entity, this Agreement, the ROCKY MOUNTAIN CHOCOLATE FACTORY Business or a substantial portion of the assets of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business owned by the Franchisee without complying with the provisions of Article 16 above.

18.2 Termination by Franchisor - Thirty Days' Notice. The Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days' written notice to the Franchisee, if the Franchisee breaches any other provision of this Agreement and fails to cure the default during such 30-day period. In that event, this Agreement will terminate without further notice to the Franchisee, effective upon expiration of the 30-day period. Defaults shall include, but not be limited to, the following:

a. **Failure to Maintain Standards**. The Franchisee fails to maintain the then-current operating procedures and adhere to the specifications and standards established by the Franchisor as set forth herein or in the Operations Manual or otherwise communicated to the Franchisee;

b. **Deceptive Practices**. The Franchisee engages in any unauthorized, dishonest, or unethical business or practice or sells any unauthorized product or service under the Franchisor's Marks or under a name or mark which is confusingly similar to the Franchisor's Marks;

c. **Failure to Obtain Consent**. The Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement;

d. **Failure to Comply with Manual**. The Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual;

e. **Failure to Maintain Insurance**. The Franchisee fails to maintain the insurance Franchisor requires under Section 21 of this Agreement; or

f. **Breach of Related Agreement**. The Franchisee or an affiliate of the Franchisee defaults under any term of the lease, sublease or lease assignment for the Franchised Location, any equipment lease or any other agreement material to the ROCKY MOUNTAIN CHOCOLATE FACTORY Business or any other Franchise Agreement between the Franchisor and the Franchisee or an affiliate of the Franchisee and such default is not cured within the time specified in such lease, sublease, other agreement or other Franchise Agreement. Provided, however, so long as financing from the United States Small Business Administration remains outstanding, the Franchisee will be given the same opportunity to cure defaults under any agreement between the Franchisor or its affiliates and the Franchisee, as the Franchisee is given under this Agreement.

Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within such 30-day period and the Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such 30-day period, the Franchisee shall be given an additional reasonable period of time to cure the same, and this Agreement shall not automatically terminate without written notice from the Franchisor.

18.3 Franchisor's Remedies.

a. **Failure to Pay**. In addition to all other remedies that may be exercised by the Franchisor upon a default by the Franchisee under the terms of this Agreement, the Franchisor reserves the right to collect amounts due from the Franchisee to any third party and to pay the third party directly. If the Franchisor collects any such amounts, the Franchisor may, in its sole discretion, charge the Franchisee an administrative fee to reimburse the Franchisor for its costs of collecting and paying such amounts. Any administrative fee charged would not exceed 15% of the total amount of money collected.

b. **Acknowledgment**. In the event this Agreement is terminated by the Franchisor prior to its expiration as set forth in Sections 18.1 or 18.2 above, then Franchisee acknowledges and confirms that the Franchisor will suffer and incur substantial damages because this Agreement did not continue for the term's full length. Accordingly, the Franchisee agrees to pay the Franchisor for all damages, costs, expenses, attorneys' and experts' fees directly or indirectly related thereto, including, without limitation, lost Royalties, lost Marketing Fund contributions, lost profits, loss of goodwill and damage to the Franchisor's Marks and reputation, lost opportunities, travel and personnel costs, expenses that the Franchisor may incur in developing or finding another franchisee to develop a new ROCKY MOUNTAIN CHOCOLATE FACTORY Business at the site, and any other lost payments or benefits the Franchisor would have received for the balance of the term after the effective date of termination (collectively, "Brand Damages"). The Franchisee further acknowledges and agrees that its obligation to pay Brand Damages resulting from early termination shall be in addition to (not in lieu of) the Franchisee's post-termination obligations to pay other amounts due as of the date of termination (as contemplated under the preceding Subsection 18.3.a above) and to otherwise comply with the entirety of Section 18.5 hereof, and that the Brand Damages shall not be deemed a penalty for early termination but instead reasonable compensation

to the Franchisor for the Franchisee's failure to perform under this Agreement during the remainder of the Term.

18.4 Right to Purchase. Upon either party's termination of this Agreement, or upon expiration of this Agreement without renewal, the Franchisor shall have the right and option, but not the obligation, to purchase the equipment, furnishings, and accessories from the Franchised Location at a purchase price equal to its then current book value determined using the straight-line method of depreciation. If the Franchisor elects to exercise this option, the Franchisor will deliver written notice to the Franchisee of its election within 30 days after the date of termination or expiration of this Agreement. The Franchisor will have the right to inspect the equipment, furnishings, and accessories at any time during this 30 day period. If the Franchisor elects to purchase the equipment, furnishings, and accessories, the Franchisor will be entitled to, and the Franchisee must provide, all customary warranties and representations relating to the equipment, furnishings, and accessories to be purchased, including, without limitation, representations and warranties as to the maintenance, function and condition of the equipment, furnishings, and accessories and the Franchisee's good title to those items (including that the Franchisee's own each item free and clear of any liens and encumbrances), the validity of contracts and agreements, and the liabilities affecting the equipment, furnishings, and accessories, contingent or otherwise. The Franchisee and its owners further agree to execute general releases, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its shareholders, officers, directors, employees, agents, successors and assigns. The Franchisee shall deliver the equipment to the Franchisor within 15 days of receipt of the Franchisor's written notice to the Franchisee of its election to purchase.

Regardless of whether or not the Franchisor exercises its right to purchase the equipment, furnishings, and accessories under this Section, the Franchisor shall have the option, exercisable upon written notice to the Franchisee within 30 days after the date of termination or expiration of this Agreement, to repurchase some or all (at the Franchisor's option) of the Durango Product, Items and Store Made Product then owned by the Franchisee. The Franchisor has the unrestricted right to assign this option to purchase. The purchase price of all inventory (in full, unopened case-loads) will be as agreed upon by the parties, provided that the purchase price shall not exceed the prices paid by the Franchisee for such Durango Product, Items or Store Made Product (less any freight and insurance charges). All purchase prices are freight-on-board ("F.O.B.") the Franchisor's premises. The Franchisor may set off against the purchase price any and all amounts the Franchisee then owes to the Franchisor, if applicable.

18.5 Obligations of Franchisee Upon Termination or Expiration. The Franchisee is obligated upon termination or expiration of this Agreement to immediately:

a. Pay to the Franchisor all Royalties, other fees, and any and all amounts or accounts payable then owed the Franchisor or its affiliates pursuant to this Agreement, or pursuant to any other agreement, whether written or oral, including subleases and lease assignments, between the parties;

b. Cease to identify itself as a ROCKY MOUNTAIN CHOCOLATE FACTORY Franchisee or publicly identify itself as a former Franchisee or use any of the Franchisor's trade secrets, signs, symbols, devices, trade names, trademarks, or other materials.

c. Cease to identify the Franchised Location as being, or having been, associated with the Franchisor, and, if deemed necessary by the Franchisor, paint or otherwise change the interior and exterior of the Franchisee's former Business to distinguish it from a ROCKY MOUNTAIN CHOCOLATE FACTORY Business, and immediately cease using any proprietary mark of the Franchisor or any mark in any way associated with the ROCKY MOUNTAIN CHOCOLATE FACTORY Marks and Licensed Methods;

d. Deliver to the Franchisor all non-perishable Items of inventory that bear the ROCKY MOUNTAIN CHOCOLATE FACTORY trade name or logo, signs, sign-faces, advertising materials, forms and other materials bearing any of the Marks or otherwise identified with the Franchisor and obtained by and in connection with this Agreement;

e. Deliver to the Franchisor the Operations Manual and all other information, documents and copies thereof which are proprietary to the Franchisor;

f. Promptly take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to the Franchisee's use of any Marks which are under the exclusive control of the Franchisor or, at the option of the Franchisor, assign the same to the Franchisor;

g. Notify the telephone company and domain name registries, if applicable, of the termination or expiration of the Franchisee's right to use any telephone number and any domain name containing the Marks and to authorize transfer thereof to the Franchisor or its designee. The Franchisee acknowledges that, as between the Franchisee and the Franchisor, the Franchisor has the sole rights to and interest in all telephone numbers, domain names and electronic mail addresses associated with any Mark. The Franchisee authorizes the Franchisor, and hereby appoints the Franchisor and any of its officers as the Franchisee's attorney-in-fact, to direct the telephone company and domain name registry, if applicable, to transfer any telephone numbers and domain names and electronic mail addresses, relating to the ROCKY MOUNTAIN CHOCOLATE FACTORY Business to the Franchisor or its designee, should the Franchisee fail or refuse to do so, and the telephone company and domain name registry may accept such direction or this Agreement as conclusive of the Franchisor's exclusive rights in such telephone numbers and domain names and the Franchisor's authority to direct their transfer;

h. Abide by all restrictive covenants set forth in Article 20 of this Agreement;

i. Sign a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor, its affiliates and their respective officers, directors, employees and agents;

j. If applicable, take such action as may be required to remove from the Internet all sites referring to the Franchisee's former ROCKY MOUNTAIN CHOCOLATE FACTORY Business or any of the Marks and to cancel or assign to the Franchisor, in the Franchisor's sole discretion, all rights to electronic mail addresses, social media accounts, and domain names for sites on the Internet that refer to the Franchisee's former ROCKY MOUNTAIN CHOCOLATE FACTORY Business or any of the Marks; and

k. Give Franchisor, within 30 days after the expiration or termination of this Agreement, evidence satisfactory to Franchisor of the Franchisee's compliance with these obligations.

18.6 State and Federal Law. THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

19. BUSINESS RELATIONSHIP

19.1 Independent Businesspersons. The parties agree that each of them are independent businesspersons, that their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. The Franchisor and the Franchisee agree that neither of them will hold themselves out to be the agent, employer or partner of the other and that neither of them has the authority to bind or incur liability on behalf of the other. The Franchisee acknowledges and agrees that the Franchisor will not have the power to hire or fire the Franchisee's employees. The Franchisee expressly agrees and will never contend otherwise, that the Franchisor's authority under this Agreement to approve certain of the Franchisee's employees to perform certain functions for the Business does not directly or indirectly vest in the Franchisor the power to hire, fire or control any such employees. The Franchisee acknowledges and agrees, and will never contend otherwise, that the Franchisee alone will exercise day-to-day control over all operations, activities and elements of the Business and under no circumstances shall the Franchisor do so or be deemed to do so. The Franchisee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures which the Franchisee is required to comply with under this Agreement, whether set forth in the Operations Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that the Franchisor controls any aspect or element of the day-to-day operations of the Franchisee's Business.

19.2 Payment of Third-Party Obligations. The Franchisor shall have no liability for the Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon the Franchisee, the Franchisee's property, the ROCKY MOUNTAIN CHOCOLATE FACTORY Business or upon the Franchisor in connection with the sales made or business conducted by the Franchisee (except any taxes the Franchisor is required by law to collect from the Franchisee with respect to purchases from the Franchisor).

19.3 Indemnification. The franchisee agrees to indemnify, defend, and hold harmless the Franchisor, its affiliates, and its and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the Franchisee's Business's operation, employment matters in connection with the Franchisee's Business, the business the Franchisee conducts under this Agreement, or the Franchisee's breach of this Agreement, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the Franchisor's gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. The Franchisee agrees to give the Franchisor and the Indemnified Parties written notice of any action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any of the Indemnified Parties within 3 days of the Franchisee's actual or constructive knowledge of it. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any claim; and (ii) control the response thereto and the defense thereof, including the right to enter into settlements or take any other remedial, corrective, or other actions. The Franchisee agrees to give its full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including court costs and reasonable attorneys' fees, within 10 days of the date of each invoice delivered by the Indemnified Parties to the Franchisee enumerating such costs, expenses and attorneys' fees.

For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at the Franchisee's expense and agree to settlements or take any other remedial, corrective, or other actions.

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its or their losses and expenses, in order to maintain and recover from third parties fully a claim against the Franchisee under this subparagraph. The Franchisee agrees that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from the Franchisee under this subparagraph. The Franchisee's or any of the other Indemnified Parties' undertaking of defense and/or settlement will in no way diminish the Franchisee's obligation to indemnify the Franchisor and the other Indemnified Parties and to hold the Franchisor and any of the Indemnified Parties harmless.

20. RESTRICTIVE COVENANTS

20.1 **Non-Competition During Term**. The Franchisee acknowledges that, in addition to the license of the Marks hereunder, the Franchisor has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation, recipes, operations, marketing, advertising and related information and materials and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage of the same by all the franchisees of the Franchisor using the Marks and Licensed Methods. The Franchisee therefore agrees that other than the ROCKY MOUNTAIN CHOCOLATE FACTORY Business licensed herein, neither the Franchisee, its General Manager, its Personnel, nor any of the Franchisee's officers, directors, shareholders, members, managers or partners, nor any member of his or their immediate families, shall during the term of this Agreement:

a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a "Competitive Business" as defined below;

b. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or

c. divert or attempt to divert any business related to, or any customer or account of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, the Franchisor's business or any other ROCKY MOUNTAIN CHOCOLATE FACTORY franchisee's business, by direct inducement or otherwise, to any Competitive Business by any direct inducement or otherwise.

The term "**Competitive Business**" as used in this Agreement shall mean any business operating, or granting franchises or licenses to others to operate, a retail, wholesale, distribution or manufacturing business with either of the following attributes: (i) a business deriving a total of 10% or more of its gross receipts from the sale, processing or manufacturing of one or a combination of any of the following: boxed chocolate candies; or products which are the same as or substantially similar to products offered for sale in ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses; or products made with recipes, or processes, included in the Operations Manual; or (ii) a business devoting a total of 10% or more of its retail display space to one or a combination of the following: boxed chocolate candies; or products which are the same as or substantially similar to products offered by ROCKY MOUNTAIN CHOCOLATE FACTORY

Businesses; or products made with recipes, or processes, included in the Operations Manual; provided, however, the Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

20.2 Post-Termination Covenant Not to Compete. Upon termination or expiration of this Agreement for any reason, the Franchisee and its General Manager, Personnel, Owners, officers, directors, shareholders, members, managers and/or partners agree that, for a period of two years commencing on the effective date of termination or expiration, or the date on which the Franchisee ceases to conduct business, whichever is later, neither Franchisee nor its officers, directors, shareholders, members, managers, and/or partners shall have any direct or indirect interest (through a member of any immediate family of the Franchisee or its Owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, member, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, defined in Section 20.1 above, located or operating within a 25-mile radius of the Franchised Location or within a 25-mile radius of any other franchised or company-owned ROCKY MOUNTAIN CHOCOLATE FACTORY Business. The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding. The Franchisee and its officers, directors, shareholders, members, managers, and/or partners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

20.3 Confidentiality of Proprietary Information. The Franchisee shall treat all information it receives which comprises or is a part of the Licensed Methods licensed hereunder as proprietary and confidential and will not use such information in an unauthorized manner or disclose the same to any unauthorized person without first obtaining the Franchisor's written consent. The Franchisee acknowledges that the Marks and the Licensed Methods have valuable goodwill attached to them, that the protection and maintenance thereof is essential to the Franchisor and that any unauthorized use or disclosure of the Marks and Licensed Methods will result in irreparable harm to the Franchisor.

20.4 Confidentiality Agreement. The Franchisor requires that the Franchisee cause each of its officers, directors, partners, shareholders, members, managers, and General Manager, and, if the Franchisee is an individual, immediate family members (together, "**Personnel**"), to execute a confidentiality and noncompetition agreement containing the above restrictions, in the form attached hereto as Exhibit VI and incorporated herein by reference, no later than 10 days after this Agreement is signed by the Franchisee and all guarantors. During the term of this Agreement, Franchisee will require all new Personnel to sign a confidentiality agreement within 10 days of being hired. The Franchisee shall provide copies of all signed confidentiality agreements to the Franchisor within 10 days after they are signed.

21. INSURANCE

21.1 Insurance Coverage. The Franchisee shall procure, maintain and provide evidence of (i) comprehensive general liability insurance for the Franchised Location and its operations with a limit of not less than $2,000,000 combined single limit, or such greater limit as may be required as part of any lease agreement for the Franchised Location; (ii) automobile liability insurance covering all employees of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business with authority to operate a motor vehicle in an amount not less than $1,000,000 or, with the prior written consent of the Franchisor, such lesser amount as may be available at a commercially reasonable rate, but in no event less than any statutorily imposed minimum coverage; (iii) unemployment and worker's compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law; (iv) all-risk personal property

insurance in an amount equal to at least 100% of the replacement costs of the contents and tenant improvements located at the ROCKY MOUNTAIN CHOCOLATE FACTORY Business; (v) business interruption insurance to cover the rent of the Franchised Location, previous profit margins, maintenance of competent personnel and other fixed expenses for the duration of the interruption to the Franchised Location's operation; (vi) insurance coverage of such type, nature and scope sufficient to satisfy the Franchisee's indemnification obligations under Section 19.3 above; (vii) employment practices liability insurance; (viii) in connection with any construction, refurbishment, and/or remodeling of the Franchised Location, builder's and/or contractor's insurance (as applicable), lien insurance, and performance and completion bonds in forms and amounts acceptable to the Franchisor; and (ix) any additional insurance required by the Franchisee's lease for the Franchised Location. All of the required policies of insurance shall name the Franchisor as an additional insured and shall provide for a 30-day advance written notice to the Franchisor of termination, amendment or cancellation.

21.2 Proof of Insurance Coverage. The Franchisee will provide proof of insurance to the Franchisor prior to commencement of operations at its ROCKY MOUNTAIN CHOCOLATE FACTORY Business. This proof will show that the insurer has been authorized to inform the Franchisor in the event any policies lapse or are cancelled. The Franchisor has the right to change the minimum amount of insurance the Franchisee is required to maintain by giving the Franchisee prior reasonable notice, giving due consideration to what is reasonable and customary in the similar business. The Franchisee's failure to comply with the insurance provisions set forth herein shall be deemed a material breach of this Agreement. In the event of any lapse in insurance coverage, in addition to all other remedies, the Franchisor shall have the right to demand that the Franchisee cease operations of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business until coverage is reinstated, or, in the alternative, pay any delinquencies in premium payments and charge the same back to the Franchisee plus a fee of 20% of such premium charges for Franchisor's administrative costs in obtaining such insurance on behalf of Franchisee.

22. MISCELLANEOUS PROVISIONS

22.1 Governing Law/Consent to Venue and Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any disputes between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes that may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in a legal proceeding involving the Franchisee, its officers, directors, partners or managers (collectively, "**Franchisee Affiliates**") and the Franchisor, its officers, directors or sales employees (collectively, "**Franchisor Affiliates**"), all parties agree that the exclusive venue for disputes between them shall be in the state courts in La Plata County, Colorado and federal courts located in Colorado and each waive any objections they may have to the personal jurisdiction of or venue in the state courts in La Plata County and federal courts located in Colorado. THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

22.2 Cumulative Rights. The rights and remedies of the Franchisor and the Franchisee hereunder are cumulative and no exercise or enforcement by either of them of any right or remedy hereunder shall preclude the exercise or enforcement by either of them of any other right or remedy hereunder which they are entitled by law to enforce.

22.3 Modification. The Franchisor and/or the Franchisee may modify this Agreement only upon execution of a written agreement between the two parties. The Franchisee acknowledges that the

Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent in which the Franchisor, in its sole discretion, deems necessary to protect, promote, or improve the Marks and the quality of the Licensed Methods, but under no circumstances will such modifications be made arbitrarily without such determination.

22.4 Entire Agreement. This Agreement, including all exhibits and addenda and the Operations Manual, contain the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. Nothing in this Agreement, including all exhibits and addenda hereto, or in any other agreement between the Franchisor and the Franchisee, is intended to disclaim the representations made in the most recent franchise disclosure document provided by the Franchisor or its representatives. No modifications of this Agreement shall be effective except those in writing and signed by both parties. The Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement and in the most recent franchise disclosure document provided to the Franchisee by the Franchisor or its representatives. The Franchisee further acknowledges and agrees that no representations have been made to it by the Franchisor regarding projected sales volumes, market potential, revenues, profits of the Franchisee's ROCKY MOUNTAIN CHOCOLATE FACTORY Business, or operational assistance other than as stated in this Agreement or in the most recent franchise disclosure document provided to the Franchisee by the Franchisor or its representatives.

22.5 Delegation by the Franchisor. From time to time, the Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide such services. The Franchisee agrees in advance to any such delegation by the Franchisor of any portion or all of its obligations and duties hereunder. The Franchisee acknowledges and agrees that any delegation by the Franchisor of its duties or obligations does not assign or confer any rights under this Agreement to third parties and that there are no third-party beneficiaries of this Agreement.

22.6 Effective Date. This Agreement shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. The effective date of this Agreement may be adjusted to an earlier date if the parties are signing it as a successor to an earlier franchise agreement in order to avoid giving the Franchisee a longer term under the successor franchise agreement if the term of the prior agreement was extended until the successor agreement became effective.

22.7 Review of Agreement. The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not fewer than 10 full business days, or 14 calendar days, whichever is applicable, during which time the Franchisee has had the opportunity to submit same for professional review and advice of the Franchisee's choosing prior to freely executing this Agreement.

22.8 Attorneys' Fees. In the event of any dispute between the parties to this Agreement, including any dispute involving an officer, director, employee or managing agent of a party to this Agreement, in addition to all other remedies, the non-prevailing party will pay the prevailing party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in any legal action, arbitration or other proceeding as a result of such dispute.

22.9 Injunctive Relief. Nothing herein shall prevent the Franchisor or the Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If the Franchisor seeks an injunction, the Franchisor will not be required to post a bond in excess of $500.

22.10 Waiver of Punitive Damages and Jury Trial. **EXCEPT FOR THE FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR FOR THIRD PARTY CLAIMS UNDER SECTION 19.3, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, FRANCHISOR AND THE FRANCHISEE (AND ITS OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND THE FRANCHISEE, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS. FRANCHISOR AND THE FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF FRANCHISOR OR THE FRANCHISEE**.

22.11 No Waiver. No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by the Franchisor or the Franchisee shall be considered to imply or constitute a further waiver by the Franchisor or the Franchisee of the same or any other condition, covenant, right, or remedy.

22.12 No Right to Set Off. The Franchisee shall not be allowed to set off amounts owed to the Franchisor for Royalties, fees or other amounts due hereunder, against any monies owed to Franchisee, nor shall the Franchisee in any event withhold such amounts due to any alleged nonperformance by the Franchisor hereunder, which right of set off is hereby expressly waived by the Franchisee.

22.13 Invalidity. If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

22.14 Notices. All written notices required to be given under this Agreement shall be given in writing, by electronic mail, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the address set forth in the preamble to this Agreement or at such other addresses as the Franchisor or the Franchisee may designate from time to time. Notices shall be deemed delivered one business day after transmission by electronic mail; one business day after being placed in the hands of a commercial courier service for overnight delivery; or three business days after being deposited in the United States Mail, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing.

22.15 Authorization to Communicate Electronically; Prompt Response Required. By executing this Agreement, the Franchisee authorizes the Franchisor and its affiliates and approved suppliers, to communicate with the Franchisee electronically, including via electronic mail or text message, and unless a written communication is required, to communicate with the Franchisee via telephone, notwithstanding whether any or all of the Franchisee's telephone numbers appear on a state or federal do-not-call registry. The Franchisee acknowledges and agrees that it is critical to the efficient and successful administration of the franchise relationship that the Franchisee promptly responds to all communications from the Franchisor. Accordingly, the Franchisee agrees to respond within five business days to each communication from the Franchisor.

22.16 Force Majeure. "**Force Majeure**" means an event that prevents a party to this Agreement from performing that is not the fault of or within the reasonable control of the party claiming Force Majeure. Force Majeure includes acts of god, fires, strikes, war, terrorism, riot, governmental laws or restrictions, or any other similar event or cause rendering performance of the contract impossible. Except with respect to

payment obligations, neither party shall be deemed to be in breach of this Agreement if a party's failure to perform its obligations results from Force Majeure and any delay resulting from Force Majeure will extend performance accordingly or excuse performance in whole or in part as may be reasonable. Force Majeure does not include the Franchisee's financial inability to perform, inability to obtain financing, inability to obtain permits or licenses or any other similar events unique to the Franchisee or to general economic downturn or conditions. If the Franchisee is affected by an event of Force Majeure, it shall provide a prompt written request for relief to the Franchisor describing and setting forth the nature of the Force Majeure, an estimate as to its duration, and a plan for resuming full compliance with this Agreement. The Franchisor will have full discretion whether to grant or deny any request for relief. If the Franchisee fails to provide the required notice it shall be liable for failure to give such timely notice only to the extent of damage actually caused.

22.17 Electronic Signature. The counterparts of this Agreement and all ancillary documents executed or delivered in connection with this Agreement may be executed and signed by electronic signature by any of the parties to this Agreement, and delivered by electronic or digital communications to any other party to this Agreement, and the receiving party may rely on the receipt of such document so executed and delivered by electronic or digital communications signed by electronic signature as if the original has been received. For the purposes of this Agreement, electronic signature means, without limitation, an electronic act or acknowledgement (e.g., clicking an "I Accept" or similar button), sound, symbol (digitized signature block), or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

22.18 Payment of Taxes. The Franchisee shall reimburse the Franchisor, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by the Franchisor, or its affiliates or designees, on account of services or goods furnished by the Franchisor, its affiliates or designees, to the Franchisee through sale, lease or otherwise, or on account of collection by the Franchisor, its affiliates or designees, of the initial franchise fee, Royalties, Marketing Fund Contributions or any other payments made by the Franchisee to the Franchisor required under the terms of this Agreement.

22.19 Anti-Terrorism Representation. The Franchisee represents to the Franchisor that it and all persons or entities holding any legal or beneficial interest whatsoever in the Franchisee are not included in, owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the persons or entities referred to or described in Executive Order 13224-Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended.

22.20 No Class or Consolidated Actions. ALL CLAIMS, CONTROVERSIES AND DISPUTES MAY ONLY BE BROUGHT BY FRANCHISEE ON AN INDIVIDUAL BASIS AND MAY NOT BE CONSOLIDATED WITH ANY CLAIM, CONTROVERSY OR DISPUTE FOR OR ON BEHALF OF ANY OTHER FRANCHISEE OR BE PURSUED AS PART OF A CLASS ACTION.

22.21 Limitation of Claims. **EXCEPT FOR CLAIMS ARISING FROM THE FRANCHISEE'S NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS THE FRANCHISEE OWES FRANCHISOR, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH THE FRANCHISEE WILL BE BARRED UNLESS A JUDICIAL PROCEEDING IS COMMENCED WITHIN 18 MONTHS FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS**.

22.22 Limited Liability for Franchisor's Related Parties. The Franchisee agrees that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, owner, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of Franchisor will have any liability for (i) any of Franchisor's obligations or liabilities relating to or arising from this Agreement; (ii) any claim against Franchisor based on, in respect of, or by reason of, the relationship between the Franchisee and Franchisor, or (iii) any claim against Franchisor based on any alleged unlawful act or omission of Franchisor.

22.23 Covenant of Good Faith. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties hereto agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law will imply the covenant, the Franchisee agrees that: (i) this Agreement (and the relationship of the parties hereto that is inherent in this Agreement) grants Franchisor the judgment to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisor's explicit rights and obligations under this Agreement that may favorably or adversely affect the Franchisee's interests; (ii) Franchisor will use its judgment based on its assessment of its own interests and balancing those interests against the interests of its franchise owners generally, and specifically without considering the Franchisee's individual interests or the individual interests of any other particular franchise owner; (iii) Franchisor will have no liability to the Franchisee for the exercise of Franchisor's judgment in this manner, so long as the judgment is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any litigation will substitute its judgment for Franchisor's judgment so exercised.

22.24 Multiple Forms of Agreement. The Franchisee acknowledges and agrees that there may be more than one form of franchise agreement in effect between Franchisor and its various ROCKY MOUNTAIN CHOCOLATE FACTORY Business franchise owners; those other agreements may contain provisions that may be materially different from the provisions contained in this Agreement; and the Franchisee is not entitled to rely on any provision of any other agreement with other ROCKY MOUNTAIN CHOCOLATE FACTORY Business franchise owners whether to establish course of dealing, waiver, or estoppel, or for any other purpose.

22.25 Acknowledgement. BEFORE SIGNING THIS AGREEMENT, THE FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE FRANCHISEE ACKNOWLEDGES THAT:

A. THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESSPERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS; AND

B. NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED; AND

C. NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS AGREEMENT, AND IN THE MOST RECENT FRANCHISE DISCLOSURE DOCUMENT SUPPLIED TO THE FRANCHISEE, IS BINDING ON THE FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above set forth.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

Date: _____ By: _____

FRANCHISEE:

Date: _____ _____
, Individually

Date:

_____ _____
, Individually

AND:

Date: Name of Entity

_____ _____
By: _____
Title: _____

EXHIBIT I

ADDENDUM TO ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT

1. Franchised Location. The Franchised Location, set forth in Section 3.1 of the Agreement shall be: _____
_____
and the Business configuration shall be: _____.

2. Initial Franchise Fee. The amount of the initial franchise fee, set forth in Section 4.1 of the Agreement, shall be: $_____.

   Fully executed this ____ day of _____, 20____.

3. Territory. (check one)

   ____ The Franchised Business will be operated in a metropolitan area and will not have a Territory.

   ____ The Franchised Business will be operated from a non-traditional location and will not have a Territory.

   ____ Subject to final approval of the location of the Franchised Business, the parties intend that the Franchised Business will have a Territory, which shall be set forth in Attachment I-A. The Franchisor will present the Franchisee with the Territory upon the identification of the site for the Franchised Business. If the Franchisee does not wish to accept the Territory, the Franchisee may choose another site location, and the Franchisor will present the Franchisee with another Territory based on the site selected.

4. **Franchised Location**. If a particular site for the Franchised Location has been selected and approved at the time of the signing of this Franchise Agreement, it shall be entered in Attachment I-A as the Franchised Location, and the Territory shall be as listed in Attachment I-A, if applicable. If a particular site has not been selected and approved at the time of the signing of this Franchise Agreement, once the Franchisor has approved a Franchised Location, the Franchisor and the Franchisee will execute Attachment I-A.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By: _____

FRANCHISEE:

_____
, Individually

_____
, Individually

AND:

Name of Entity

_____
By: _____
Title: _____

ATTACHMENT I-A

TO THE FRANCHISE AGREEMENT

PREMISES AND TERRITORY

The Franchisee has received acceptance for site location for the Franchised Location that satisfies the demographics and location requirements minimally necessary for a Franchised Location and that meets the Franchisor's minimum current standards and specifications for the buildout, interior design, layout, floor plan, signs, designs, color and décor of a Franchised Location. The Franchisee acknowledges that the Franchisor's acceptance of the site location for the Franchised Location is in no way a representation that the site will be successful. The Franchisor and the Franchisee have mutually agreed upon a Territory based on the site for the Franchised Location which is indicated below. The Franchisee acknowledges that the Territory is in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document.

Franchised Location:

The Franchised Location for the Franchised Business as provided in Section 3.3 of the Franchise Agreement is:

Territory (select one):

_____ Not applicable. The Franchisee will operate the Franchised Business at a non-traditional location or within a metropolitan area and shall not receive a Territory.

_____ The Franchisor and the Franchisee have mutually agreed upon a Territory based on the site for the Premises which is indicated below:

(***Signature Page Follows***)

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By: _____

FRANCHISEE:

_____

, Individually

_____

, Individually

AND:

Name of Entity

_____

By: _____

Title: _____

EXHIBIT II

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of ___ _____, 202 __

By (list each guarantor):

_____

_____

_____

_____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. ("Franchisor"), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and Franchisor's successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ ("Franchisee") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, transfer, and dispute resolution requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may at any time and from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as Franchisor has any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

If Franchisor is required to enforce this Guaranty in a judicial proceeding, and prevail in such proceeding, Franchisor shall be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Subject to the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, must be commenced in the state or federal court of competent jurisdiction in La Plata County, Colorado, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that we may enforce this Guaranty and any orders and awards in the courts of the state or states in which he or she is domiciled.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

Date	
Date	

EXHIBIT III

STATEMENT OF OWNERSHIP

1. **Form of Owner**. (Choose (a) or (b))

(a) **Individual Proprietorship**. List individual(s):

_____

_____

_____

(b) **Corporation, Limited Liability Company, or Partnership.** (CIRCLE ONE) The Franchisee was incorporated or formed on _____, under the laws of the State of _____. The Franchisee has not conducted business under any name other than its corporate, limited liability company, or partnership name and _____ _____. The following is a list of the Franchisee's directors, if applicable, and officers as of the effective date shown above:

Name of Each Director/Officer	Position(s) Held

2. **Owners**. The following list includes the full name of each person who is one of the Franchisee's owners (as defined in the Franchise Agreement), or an owner of one of the Franchisee's owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	Owner's Name	Percentage/Description of Interest
(a)		
(b)		
(c)		
(d)		

Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

Date	Signature
	Print Name

EXHIBIT IV

ADDENDUM TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT
FOR ELECTRONIC FUNDS TRANSFERS

The undersigned depositor ("**Depositor**") hereby (1) authorizes Rocky Mountain Chocolate Factory, Inc. ("**Company**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below and (2) authorizes the depository designated below ("**Depository**") to debit such account pursuant to Company's instructions. Debit entries shall be limited to past due amounts owed by Depositor to Company arising from or related to the Franchise Agreement between Depositor and Company dated _____, 20___.

Depository	Branch
City	State Zip Code
Bank Transit/ABA Number	Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Company and Depositor with 30 days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) 45 days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

_____
DEPOSITOR (Print Name)

By:_____
Its:_____
Date:_____

EXHIBIT V

PERMIT, LICENSE AND CONSTRUCTION CERTIFICATE

Franchisor and Franchisee are parties to a Franchise Agreement dated _____, 20____ for the development and operation of ROCKY MOUNTAIN CHOCOLATE FACTORY Business located at _____(the "**Franchised Location**"). In accordance with Section 5.6 of the Franchise Agreement, Franchisee certifies to Franchisor that the Franchised Location complies with all applicable federal, state and local laws, statutes, codes, rules, regulations and standards including, but not limited to, the federal Americans with Disabilities Act and any similar state or local laws. The Franchisee has obtained all such permits and certifications as may be required for the lawful construction and operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business, together with all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business, sales tax permits, health and sanitation permits and ratings and fire clearances. The Franchisee has obtained all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. The Franchisee acknowledges that it is an independent contractor and that the requirement of this certification does not constitute ownership, control, leasing or operation of the Business or the Franchised Location by the Franchisor, but rather provides notice to Franchisor that the Franchisee has complied with all applicable laws. The Franchisee asserts that Franchisor may justifiably rely on the information contained in this certificate.

FRANCHISEE:

_____
, Individually

_____
, Individually

AND:

Name of Entity

_____
By: _____
Title: _____

EXHIBIT VI

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

THIS CONFIDENTIALITY AND NONCOMPETITION AGREEMENT (this "Agreement") is made as of the ____ day of _____, 202__, is executed by _____ ("Individual," "me," or "I") for the benefit of ROCKY MOUNTAIN CHOCOLATE FACTORY, INC., a Colorado corporation ("Franchisor"), and for _____, a/an _____ ("Franchisee").

Franchisee is a franchise owner of Franchisor pursuant to a franchise agreement entered into by those parties concerning a business operating, or to be operated, under the "ROCKY MOUNTAIN CHOCOLATE FACTORY" name at _____ (the "Franchise Agreement"). The franchised business Franchisor authorizes Franchisee to operate under the Franchise Agreement is known as the "Franchised Location," which business is one among all businesses that Franchisor owns, operates, or franchises under the "ROCKY MOUNTAIN CHOCOLATE FACTORY" name ("ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses"). I agree that, unless otherwise specified, all capitalized terms in this Agreement have those meanings ascribed to them in the Franchise Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to Franchisee, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity, Franchisor's proprietary and confidential information relating to the development and operation of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, including but not limited to the following concerning ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses: (1) site selection criteria and layouts, designs and other plans and specifications for ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses; (2) training and operations materials and manuals; (3) methods, formats, specifications, standards, systems, procedures, preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses; (4) marketing, promotional and advertising research and programs for ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses; (5) knowledge of specifications for and suppliers of Durango Product, Store Made Product, Items and other authorized confectionery food and beverage products, and other products and supplies, including supplier pricing and related terms; (6) any computer software or similar technology which is proprietary to the Franchisor, 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; (7) knowledge of the operating results and financial performance of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses other than the Franchisee's Franchised Location; (8) graphic designs and related intellectual property; (9) customer solicitation, communication and retention programs, along with data and information used or generated in connection with those programs; (10) all data and other information generated by, or used in, the operation of the Franchisee's Franchised Location, including customer names, addresses, phone numbers, pricing and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in the computer system or that visitors to the Franchisee's Franchised Location (including the Franchisee and its personnel) provide to the website for the network of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses; (11) future business plans relating to ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses and the ROCKY MOUNTAIN CHOCOLATE FACTORY Business franchise opportunity, including expansion and development plans; and (12) any other information that the Franchisor reasonably designates as confidential or proprietary.

(collectively, all information referenced above, including examples (1) through (12), is known as the "Confidential Information").

Furthermore, any and all information, knowledge, know-how, techniques and information which the entities mentioned above (or their officers) designate as confidential is considered, and hereby acknowledged by me, to be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication violates a similar confidentiality agreement), but in no event through any act of mine.

I specifically understand that, without limitation, all the above items, concepts, and/or examples contained in the preceding paragraph constitute Confidential Information of Franchisor, and I will not divert any business to competitors of Franchisee and/or Franchisor. I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or database, nor otherwise make them available to any unauthorized person.

I further agree that, during the term of my employment/service/association or ownership participation, I will not, directly or indirectly, engage or participate in any Competitive Business (defined below in this paragraph), any of which such prohibited behavior I understand and hereby explicitly acknowledge would or could be injurious to, or (in Franchisor's sole judgment) have an adverse effect upon, Franchisor's protectable interests in the Confidential Information, the "ROCKY MOUNTAIN CHOCOLATE FACTORY" trademark or related Marks, or the goodwill and/or reputation of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses generally. I agree that I am prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant. For the purposes of this Agreement, "Competitive Business" shall mean any business operating, or granting franchises or licenses to others to operate, a retail, wholesale, distribution or manufacturing business with either of the following attributes: (i) a business deriving a total of 10% or more of its gross receipts from the sale, processing or manufacturing of one or a combination of any of the following: boxed chocolate candies; or products which are the same as or substantially similar to products offered for sale in ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses; or products made with recipes, or processes, included in the Operations Manual; (ii) a business devoting a total of 10% or more of its retail display space to one or a combination of the following: boxed chocolate candies; or products which are the same as or substantially similar to products offered for sale in ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses; or products made with recipes, or processes, included in the Operations Manual; or (iii) a business that grants franchises or licenses to others to operate the type of business specified in the preceding subparagraphs (i) and (ii) (other than a ROCKY MOUNTAIN CHOCOLATE FACTORY Business operated under a franchise agreement with Franchisor). .

Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree:

(i) to return immediately to Franchisor or Franchisee, as the case may be, all Confidential Information, and any material(s) containing a subset thereof, in my possession that was utilized, or to which I had access, during my employment, association, service or ownership participation;

(ii) to refrain, beginning upon such expiration or termination and forever thereafter, from any and all contacts with customers of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses for any purpose whatsoever; and

(iii) for a period of 2 years, starting on the earlier of the effective date of termination or expiration of my employment/service/association or ownership participation, to refrain

from directly or indirectly (such as through any one or more of my spouse, legally-recognized domestic partner, parents, children or sibling(s) (collectively, "Immediate Family")) owning a legal or beneficial interest in, or rendering services or giving advice to: (a) any Competitive Business operating at the former Franchised Location or within a 25-mile radius of the Franchised Location; (b) any Competitive Business operating within a radius of 25-miles of any ROCKY MOUNTAIN CHOCOLATE FACTORY Business in operation or under construction on the later of the effective date of termination or expiration of my employment/service/association/ ownership participation; or (c) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business.

I acknowledge and understand that the provisions of this Agreement, including my representations, covenants, and warranties (as applicable) given hereunder, are necessary and integral to this Agreement and to Franchisor's and Franchisee's interests under the Franchise Agreement, and are intended to:

(i) preclude not only direct competition, but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor;

(ii) bind any person or entity having any legal or beneficial interest in me, or traceable to, down or through me, including (without limitation) any of member of my Immediate Family, any direct or indirect beneficiary, any partner (general or limited) or proprietor of mine, and any other such related person or entity, regardless of how many levels or tiers there may be between any such described person or entity and me; and

(iii) identify for me, toward the goal of preserving through this Agreement, Franchisor's protectable legal interests in the Licensed Methods, customers of ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses, the Confidential Information, and the goodwill associated with the Marks.

I also expressly acknowledge my possession of skills and abilities of a general nature, and the opportunity for exploiting such skills in other ways than the operation or involvement in the activities of a ROCKY MOUNTAIN CHOCOLATE FACTORY Business or a Competitive Business, so that enforcement of my covenants made in this Agreement will not deprive me of my personal goodwill or ability to earn a living after the effective date of expiration or termination of my relationship with Franchisee, the Franchisee's Franchised Location, or ROCKY MOUNTAIN CHOCOLATE FACTORY Businesses generally. If I fail or refuse to abide by any of my foregoing obligations or promises made under this Agreement, and Franchisor or Franchisee obtains enforcement in a judicial proceeding, then my obligations and responsibilities specified under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or Franchisor or Franchisee seeks to enforce it, and will continue for 2 years starting from the effective date of the order enforcing the covenant.

I acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor and Franchisee, for which no adequate remedy at law will be available. Accordingly, I hereby consent to the entry of an injunction procured by Franchisor or Franchisee (or both), in any appropriate jurisdiction and venue (notwithstanding other references to resolution of actions exclusively in Franchisor's home prohibiting any conduct by me in violation of the terms of those covenants not to compete and/or restrictions on the use of Confidential Information under this Agreement. I expressly agree that it may conclusively be presumed in any legal action that any violation of the terms of these covenants not to compete was accomplished by and through my unlawful utilization of Franchisor's Confidential Information. Further, I expressly agree that any claims I may have against Franchisor will not constitute a defense to Franchisor's enforcement of the covenants not to compete under this Agreement. I further agree to pay all costs and expenses (including reasonable attorneys' and

experts' fees) incurred by Franchisor in connection with the enforcement of those covenants not to compete set forth in this Agreement.

If all, or any portion of, this covenant not to use Confidential Information and not to compete is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Franchisee and/or Franchisor is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Colorado without recourse to Colorado (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of Colorado state, and if the Franchisee's Franchised Location is located outside of Colorado state and the provision would be enforceable under the laws of the state in which the Franchisee's Franchised Location is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of Colorado or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement, any breach of this Agreement, and any and all relations and/or disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in the state courts in La Plata County, Colorado and federal courts located in Colorado. I agree that any dispute as to the aforementioned venue will be submitted to and resolved exclusively by such aforementioned court. Nonetheless, I agree that Franchisee or Franchisor may enforce this Agreement and any awards in the courts of the state or states in which I am domiciled or the Franchisee's Franchised Location is located.

I IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ME, FRANCHISEE OR FRANCHISOR. I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

IN WITNESS WHEREOF, this Agreement has been executed by the undersigned as of the date set forth above.

AGREED TO BY:

_____

, Individually

EXHIBIT VII

FRANCHISE ADDENDUM TO LEASE AGREEMENT

THIS FRANCHISE ADDENDUM TO LEASE AGREEMENT (this "Addendum") is entered into this _____ day of _____, 202__, by and between _____, a(n)_____ ("Landlord") and _____, a(n)_____ ("Tenant") for the benefit ROCKY MOUNTAIN CHOCOLATE FACTORY, INC., a Colorado corporation ("Franchisor").

WHEREAS, Tenant and Franchisor have executed a ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. Franchise Agreement (the "Franchise Agreement"), pursuant to which Franchisor has granted Tenant the right to establish and operate a "Rocky Mountain Chocolate Factory"-branded business at the following location:_____ (the "Premises");

WHEREAS, Tenant and Landlord are entering into a lease agreement (the "Lease"), pursuant to which Tenant will lease the Premises from Landlord; and

WHEREAS, Franchisor has required Tenant to include certain terms in the Lease in order to protect Franchisor's rights, and Landlord has agreed to such terms.

NOW, THEREFORE, for good and valuable consideration, the receipt of which the parties hereby acknowledge, Landlord and Tenant agree as follows:

1. Landlord agrees to: (a) furnish to Franchisor a copy of any default notice served on Tenant and/or another lessee under the Lease simultaneously with the service of the notice to Tenant and/or such other lessee; (b) provide Franchisor with notice of any proposed renewals, extensions, modifications and amendments to the Lease; (c) give Franchisor the opportunity, but Franchisor shall not be required, to cure any default by Tenant or other lessee under the Lease within fifteen (15) days following the expiration of any applicable cure period if Tenant and/or such other lessee fail to cure such default; and (d) to furnish to Franchisor, at Franchisor's request, a copy of any sales or operating information for the Premises provided by Tenant. All notices to Franchisor shall be sent to the following address: ROCKY MOUNTAIN CHOCOLATE FACTORY, INC., 265 Turner Drive, Durango, Colorado 81303, unless Landlord is notified otherwise in writing by Franchisor. No notice to Tenant shall be effective unless and until a copy thereof is served upon Franchisor.

2. Landlord agrees that if Franchisor exercises its right to cure a default by Tenant and/or another lessee under the Lease, then Franchisor may, at its option, succeed to Tenant's and/or such other lessee's interests under the Lease and shall be recognized by Landlord as the lessee or sublessee thereunder for the remaining term of the Lease.

3. Landlord agrees that the expiration of the Franchise Agreement (unless Tenant enters into a renewal Franchise Agreement with Franchisor) or a termination of the Franchise Agreement prior to expiration shall constitute a default under the Lease, giving Franchisor the right, but not the obligation, to cure such default by succeeding to Tenant's and/or any other lessee's interests as the new lessee or sublessee under the Lease.

4. Landlord agrees that upon the termination or expiration of the Lease, Franchisor shall have the first right of refusal to lease the Premises as the new lessee or sublessee.

5. Landlord agrees that Franchisor shall have the right to enter the Premises to make any modifications or alterations necessary in Franchisor's sole discretion to protect its franchise system,

trademarks, trade names, trade dress and other intellectual property without being guilty of trespass or any other tort or crime.

6. Landlord agrees that upon the expiration or termination of the Franchise Agreement, Franchisor shall have the right to enter the Premises and remove any trade fixtures, interior or exterior signs or other items bearing its trademarks. Landlord agrees upon the expiration or termination of the Franchise Agreement to relinquish to Franchisor any and all liens or other ownership interests, whether by operation of law or otherwise, in and to any tangible property bearing Franchisor's trademarks, service marks or trade dress.

7. Landlord agrees that, if Franchisor succeeds to Tenant's and/or any other lessee's interests under the Lease for any reason, Franchisor shall have the right to further assign the lease or to sublease the Premises to either an entity owned or controlled by Franchisor, or to another franchisee of Franchisor upon obtaining Landlord's written consent, which consent may not be unreasonably withheld, conditioned or delayed by Landlord. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

8. Upon Franchisor's delivery to Landlord and Tenant of its election to exercise its rights under this Addendum, Franchisor shall be entitled to all of Tenant's rights and interests in the Lease, as if Franchisor were the tenant under the Lease, including, by way of example and not limitation, the right to exercise any and all renewal options thereunder, without the need for any further action or instrument.

9. Landlord and Tenant expressly agree that Franchisor is an intended third party beneficiary of the terms of this Addendum. Landlord and Tenant further agree that Franchisor has no liability or obligation under the Lease unless and until Franchisor exercises it right to assume the Lease under this Addendum.

10. In the event of any inconsistency between the terms of this Addendum and the terms of the Lease, the terms of this Addendum control. All of the terms of this Addendum, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns. The provisions of this Addendum may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Addendum that makes specific reference to this Addendum and which must be approved in writing by Franchisor. This Addendum may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

LANDLORD:	**TENANT:**
_____,	_____
,	
a _____	a _____
By:_____	By:_____
Print Name: _____	Print Name:_____
Title:_____	Title:_____

EXHIBIT VIII

ADDENDUM TO FRANCHISE AGREEMENT
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. SATELLITE BUSINESS

THIS ADDENDUM ("**Addendum**") to the Franchise Agreement dated _____, 20___, ("**Agreement**") is made effective as of _____, 20___, between Rocky Mountain Chocolate Factory, Inc. ("**Franchisor**") and the undersigned "**Franchisee**." The following amends and shall be incorporated into the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Agreement. The Franchisor and the Franchisee agree as follows:

1. Application of Satellite Business to Agreement. All references in the Agreement to the "Business," as defined in Section 1.1 of the Agreement, are deleted and the reference "Satellite Business" is inserted in place thereof. Notwithstanding anything contained in the preceding sentence to the contrary, all references in the Agreement to "Businesses" under Section 20.2 of the Agreement shall not be replaced by the words "Satellite Business," but shall instead be supplemented by adding the words "or Satellite Businesses" directly after the word "Business(es)." Except as may be otherwise noted herein or in the Agreement, all applicable terms, conditions and requirements set forth in the Agreement applicable to the Businesses shall apply to the Satellite Businesses. The Franchisor's approval of the development and operation of a Satellite Business, as required pursuant to Section 3.1 of the Agreement, is hereby granted. The terms of the Agreement and of this Addendum apply only to the operation of and products offered and sold from or through the Satellite Business and not to any other non-competing businesses of the Franchisee, located in the Host Facility (defined below), if any, except as specifically set forth herein.

2. Definition of Satellite Business. The Franchisor and the Franchisee agree that the Franchisee's "Satellite Business" shall be defined as a ROCKY MOUNTAIN CHOCOLATE FACTORY Business which is open for business for a total of between 31 and 180 days in any calendar year and/or has a lease lasting more than one but fewer than 12 months and/or is located at, in or adjacent to a Host Facility, as defined in Section 4 below. If applicable, the Satellite Business will be open during the following months or for the following events each year: _____

_____.

3. Traditional Business. All references in this Addendum to the Franchisee's "Traditional Business(es)" shall refer to the traditional Business(es) operated under duly executed and validly existing franchise agreement(s) dated _____, _____and _____, _____between the Franchisor and the Franchisee or, if the Franchisee is a partnership, corporation, limited liability company or any other entity, owned in part or in whole by those individuals or entities owning 50% or more of the ownership interests in the Franchisee entity ("**Affiliates**"), which agreements shall hereinafter be referred to as "**Traditional Agreement(s)**." The Franchisee acknowledges that the Franchisor only grants rights to develop and operate Satellite Businesses to its franchisees or their Affiliates who own and operate a traditional ROCKY MOUNTAIN CHOCOLATE FACTORY Business under a valid and existing franchise agreement with the Franchisor. The Franchisees' or its Affiliates' Traditional Business(es) is/are located at _____.

4. Franchised Location. The Franchised Location for the Satellite Business shall be, which, if applicable, is located at, within or adjacent to the following facility (also referred to as the "**Host Facility**"):

_____.

The Franchisee acknowledges and agrees that the Franchised Location for its Satellite Business shall not be located within any protected territories of other franchisees of the Franchisor.

5. Approval of Franchised Location. The Franchisor hereby approves the above-stated location as the Franchised Location. The Franchisee acknowledges and warrants that (1) the Franchisor's approval does not constitute a guarantee, recommendation or endorsement of the Franchised Location and that the success of the Satellite Business is dependent upon the Franchisee's abilities as an independent businessperson; and (2) the Franchisor has complied with its obligations under the Agreement to assist the Franchisee with respect to criteria for the Franchised Location and determination of fulfillment of the requisite criteria for the Franchised Location, such determination based on information provided by the Franchisee.

6. Initial Franchise Fee. Section 4.1 of the Agreement shall be deleted in its entirety and replaced with the following:

The parties acknowledge the receipt and sufficiency of adequate consideration for entering into this Agreement.

7. Monthly Royalty. The following shall be added at the end of Section 4.2 of the Agreement:

Further, the Franchisee agrees to report all Gross Retail Sales, defined in Section 4.4 below, generated from or through its Satellite Business separate and apart from reports of its Gross Retail Sales generated from or through its Traditional Business(es).

8. Approval of Lease. The following sentence shall be added to the end of Section 5.1 of the Agreement:

If the placement and operation of the Satellite Business in or in connection with the Host Facility requires the consent of the owner, franchisor or licensor of the Host Facility, the Franchisee hereby represents and warrants that such consent has been obtained in writing, and such representation is a condition precedent to the grant of the Franchisee's right to establish and operate the Satellite Business.

9. Conversion and Design; Signs; Equipment. Sections 5.2, 5.3 and 5.4 of the Agreement are amended by adding the following sentence to the end of each Section:

The Franchisee agrees to comply with any policies, procedures, standards and specifications contained in the Franchisor's Operations Manual pertaining to Satellite Businesses.

10. Relocation. The following shall be added as a new Section 5.8 of the Agreement:

5.8 Relocation. Effective during the 90 day period beginning six months after the opening of the Satellite Business, the Franchisee shall have the option to relocate the Satellite Business to another site, subject to the Franchisor's approval of such site in accordance with the terms of this Agreement, if the Franchisee reasonably determines that the Satellite Business has not been profitable during the six month period after the opening of the Satellite Business and if the Franchisee provides 30 days advance written notice to the Franchisor of its determination of nonprofitability and intent to relocate, which notice shall include documentation supporting the Franchisee's determination of nonprofitability and a proposed site for relocation.

11. Initial Training Program. Sections 6.1 and 6.2 of the Agreement shall be deleted and replaced with the following:

At all times, the Satellite Business shall be managed by a person who has successfully completed the Franchisor's initial training program. The Franchisor shall waive the requirement that the Franchisee or its employees successfully complete the initial training program, provided that the Franchisee agrees to designate a person or persons to assume primary responsibility for the management of the ROCKY MOUNTAIN CHOCOLATE FACTORY Satellite Business ("**General Manager**") who shall have already successfully completed the Franchisor's initial training program. If the Franchisee wishes to appoint a General Manager for the ROCKY MOUNTAIN CHOCOLATE FACTORY Satellite Business who has not already successfully completed the Franchisor's initial training program, the Franchisee may pay the then current published fee for such training program and the Franchisee shall be responsible for all travel and living expenses incurred by its personnel during the training program. The Franchisee acknowledges that the availability of the training program shall be subject to space considerations and prior commitments to new ROCKY MOUNTAIN CHOCOLATE FACTORY franchisees.

12. Franchisor's Development Assistance. Subsections 7.1.a, b, and f of the Agreement shall be deleted in their entirety.

13. Satellite Business Operations. The third sentence of Section 10.1.e of the Agreement shall be deleted and replaced with the following sentence:

The Franchisee shall offer all types of products and services as from time to time may be prescribed by the Franchisor for Satellite Businesses and shall refrain from offering any other types of products or services, or operating or engaging in any other type of business or profession, from or through the ROCKY MOUNTAIN CHOCOLATE FACTORY Satellite Business, including, without limitation, filling "Wholesale Orders," defined below, selling Durango Product, Store Made Product, Items or other authorized products through the internet, catering or other off-premises sales, without the prior written consent of the Franchisor.

and, the following shall be added to the end of Section 10.1.e of the Agreement:

The Franchisor and the Franchisee acknowledge and agree that the products and services offered for sale from or through the Satellite Business, and the standards and specifications of the Franchisor related thereto, may differ from that of a traditional ROCKY MOUNTAIN CHOCOLATE FACTORY Business and may be subject to alternative standards and specifications as may be developed and made available by the Franchisor from time to time.

and, Section 10.1.h of the Agreement shall be deleted and replaced with the following:

The Franchisor recommends that the Franchisee subscribe for and maintain three separate telephone numbers for its ROCKY MOUNTAIN CHOCOLATE FACTORY Satellite Business at the Franchised Location, two of which, the telephone and facsimile machine numbers, shall be listed and identified exclusively with the Satellite Business and shall be separate and distinct from all other telephone numbers subscribed for by the Franchisee. If applicable, one number shall be used exclusively for voice communication, the second shall be used exclusively for a facsimile machine and the third shall be used exclusively for the modem that is included in the System.

14. Regional Advertising Programs. Section 12.4 of the Agreement shall be revised as follows:

Notwithstanding the provisions of this Section 12.4, the Franchisee's Satellite Business will not be required to participate in either a regional advertising program or a regional advertising cooperative established by the Franchisor from time to time.

15. **Marks**. The following shall be added to the end of the second sentence of Section 14.1 of the Agreement:

> and, if applicable, except for the right to use such Marks in the operation of Traditional Businesses pursuant to duly executed and validly existing Traditional Agreements with the Franchisor.

16. **Franchisee Reports**. The following sentence shall be added to the end of Section 15.1 of the Agreement:

> The Franchisee agrees to keep the bookkeeping and accounting records for the Satellite Business separate from the bookkeeping and accounting records of all Traditional Business(es) owned by the Franchisee or its Affiliate(s). The Franchisee further agrees to keep separate bookkeeping and accounting records to differentiate all sales and operations of the Satellite Business from all sales and operations of the Host Facility, if any.

17. **Transfer by Franchisee**. Section 16.2.b. of the Agreement shall be deleted and replaced by the following:

> The proposed transferee agrees to operate the Satellite Business as a ROCKY MOUNTAIN CHOCOLATE FACTORY Satellite Business and agrees to satisfactorily complete the initial training program described in the then current form of franchise agreement, which training must be completed by the transferee prior to the effectiveness of the transfer;

and the following shall be added as a new Section 16.2.m:

> m. One or more of the Franchisee's Traditional Agreements for the Franchisee's or its Affiliates' Traditional Business(es) is or are being transferred to the same proposed transferee of the Satellite Business simultaneously with and as part of the same transaction as the transfer of the Satellite Business.

18. **Term**. Section 17.1 of the Agreement shall be deleted and replaced with the following:

> The initial term of this Agreement shall expire on the same date the Traditional Agreement governing the Franchisee's or its Affiliates' Traditional Business expires. If the Franchisee together with its Affiliates, operates more than one Traditional Business, then this Agreement shall expire on the first expiration date to occur taking into account the expiration dates of all of the applicable Traditional Agreements.

19. **Rights Upon Expiration**. The following shall be added to the Agreement as new Sections 17.2.g and 17.2.h, respectively:

> n. Has complied with all provisions of the Franchisee's or its Affiliates' Traditional Agreement(s) for the Franchisee's or its Affiliates' Traditional Business(es) during the current term of this Agreement, including the payment on a timely basis of all Royalties and other fees due under the Traditional Agreement(s); and
>
> o. All amounts due and owing pursuant to this Agreement and pursuant to all Traditional Agreement(s) by the Franchisee to the Franchisor or its affiliates or to third parties whose debts or obligations the Franchisor has guaranteed on behalf of the Franchisee, if any, are paid in full.

20. **Termination by Franchisor - Effective Upon Notice**. The following shall be added to the Agreement as new Sections 18.1.p, 18.1.q and 18.1.r, respectively:

> p. Termination of Traditional Agreement. If any of the Traditional Agreement(s) between the Franchisor and the Franchisee or its Affiliates for any of the Traditional Business(es) expires without being renewed or is terminated for any reason.

q. Loss of Right to Operate at Host Facility. If the Satellite Business is operated at a Host Facility, if the Franchisee loses the right for whatever reason to operate the Satellite Business at the Host Facility.

r. Transfer of Franchisee's Traditional Business Without Transfer of Satellite Business. If any of the Franchisee's or its Affiliates' Traditional Business(es) or Traditional Agreement(s), is/are transferred in any manner pursuant to a transaction where the Satellite Business licensed under this Agreement is not transferred in full simultaneously therewith to the identical transferee, without the Franchisor's prior written consent.

21. **Termination by Franchisor - Thirty Days' Notice**. The following shall be added to the end of the first sentence in Section 18.2.f of the Agreement:

, except for the breach and termination of any of the Traditional Agreement(s) for Traditional Business(es) owned by the Franchisee or its Affiliates, to which Section 18.1.p of this Agreement shall apply.

22. **Non-Competition During Term**. The following phrase shall be added to the end of Section 20.1 of the Agreement:

, and further provided that the term "**Competitive Business**" shall not include any Traditional Businesses operated by the Franchisee or its Affiliates pursuant to duly executed and validly existing Franchise Agreements with the Franchisor.

23. **Notice**. The business address for any notices mailed pursuant to Section 22.14 of the Agreement shall be as follows: _____

_____.

24. **Franchisee Representation**. The person(s) or entity(ies) executing this Addendum as the Franchisee is (are) identical to or are Affiliates of the person(s) or entity(ies) who executed the Agreement.

25. **Ratification**. Except as modified in this Addendum, all terms, conditions and obligations set forth in the Agreement are hereby ratified and confirmed by this Addendum.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Addendum effective as of the _____ day of _____, 20____.

FRANCHISOR:

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____

Name, Title

FRANCHISEE:

_____

_____

Individually

AND:

(if a corporation or partnership)

_____

Company Name

By:_____

Title:_____

EXHIBIT IX

ADDENDUM TO FRANCHISE AGREEMENT
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. TEMPORARY STORE

THIS ADDENDUM ("**Addendum**") to the Franchise Agreement dated _____, 20___, ("**Agreement**") is made effective as of _____, 20___, between Rocky Mountain Chocolate Factory, Inc. ("**Franchisor**") and the undersigned "**Franchisee**." The following amends and shall be incorporated into the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Agreement. The Franchisor and the Franchisee agree as follows:

1. **Addition of Temporary Business to Agreement**. All references in the Agreement to the "Business(es)," as defined in Section 1.1 of the Agreement, shall be changed to add the words "and Temporary Business" immediately after each such reference. Notwithstanding anything contained in the preceding sentence to the contrary, all references to "Businesses" in Section 20.2 of the Agreement shall remain unchanged as originally stated. Article 17 of the Agreement will not apply to the Temporary Business. Except as may be otherwise noted herein or in the Agreement, all applicable terms, conditions and requirements set forth in the Agreement applicable to Businesses shall apply to Temporary Businesses. The Franchisor's approval of the operation of a Temporary Business, as required pursuant to Section 3.1 of the Agreement, is hereby granted.

2. **Definition of Temporary Business/Term/Franchised Location**. The Franchisor and the Franchisee agree that the Franchisee's "Temporary Business" shall be defined as a ROCKY MOUNTAIN CHOCOLATE FACTORY Business which is open for business for not more than 30 consecutive days at the same Franchised Location. The Temporary Business will be open on the following date(s) at the Franchised Location(s) listed next to the date(s):_____
_____. The term of this Addendum shall expire on the last date set forth in the immediately preceding sentence, unless the Agreement is terminated earlier as provided therein. In no event will the term of this Addendum extend beyond the term of the Agreement. If the Agreement is in effect and no events of default have occurred, then this Addendum may be renewed in a writing signed by all parties which specifies the Franchised Location(s) and dates the Temporary Business will be operating. If applicable, the Franchised Location(s) is/are located at, in or adjacent to the following facility ("**Host Facility**"):_____
_____.
The Franchisee acknowledges and agrees that the Franchised Location(s) of its Temporary Business shall not be located within any protected territories of other franchisees of the Franchisor.

3. **Waiver of Some Fees**. The parties acknowledge that no initial franchise fee shall be charged for entering into this Addendum and that the Franchisee will not be required to participate in any regional advertising programs or cooperatives with respect to the Temporary Business. The Franchisee will be required to pay the Marketing Fund Contribution with respect to Gross Retail Sales generated by the Temporary Business, however, pursuant to the terms of the Agreement.

4. **Royalty**. The following shall be added at the end of Section 4.2 of the Agreement:

   Further, the Franchisee agrees to report all Gross Retail Sales, defined in Section 4.4 below, generated from or through its Temporary Business separate and apart from reports of its Gross Retail Sales generated from or through its traditional Business(es).

5. **Approval of Lease**. The parties confirm that the provisions of Section 5.1 of the Agreement requiring the Franchisor's prior written approval of a lease will apply to the Franchised Location of the Temporary Business. If the placement and operation of the Temporary Business in or in connection with a Host Facility requires the consent of the owner, franchisor or licensor of the Host Facility, the Franchisee hereby represents and warrants that such consent has been obtained in writing, and such representation is a condition precedent to the grant of the Franchisee's right to establish and operate the Temporary Business.

6. **Initial Training Program**. Statements in Sections 5.7, 6.1 and 6.2 of the Agreement related to the completion of the initial training program shall not be applicable to the Temporary Business insofar as no additional personnel of the Franchisee will be required to attend the Franchisor's initial training program as a condition precedent to the grant of the Franchisee's right to operate the Temporary Business, but the person designated by the Franchisee to assume primary responsibility for the management of the Temporary Business will be required to have successfully completed the initial training program.

7. **Development and Operations**. Sections 7.1.a, .b and .f and Section 10.1.h of the Agreement shall not apply to the Temporary Business. The Franchisee agrees to comply with all of the Franchisor's standards and specifications for Temporary Businesses as they exist from time to time, including standards and specifications for carts.

8. **Franchisee Reports**. The following sentence shall be added to the end of Section 15.1 of the Agreement:

> The Franchisee agrees to keep the bookkeeping and accounting records for the Temporary Business separate from the bookkeeping and accounting records of all other Business(es) owned by the Franchisee. The Franchisee further agrees to keep separate bookkeeping and accounting records to differentiate all sales and operations of the Temporary Business from all sales and operations of the Host Facility, if any.

9. **Pre-Conditions to Franchisee's Transfer**. The following shall be added as a new Section 16.2.m:

> m. The Franchisee's Traditional Business and Temporary Business are being transferred to the same proposed transferee simultaneously and as part of the same transaction.

10. **Termination by Franchisor - Effective Upon Notice**. The following shall be added to the Agreement as new Sections 18.1.p and 18.1.q, respectively:

> p. **Loss of Right to Operate at Host Facility**. If the Temporary Business is operated at a Host Facility, if the Franchisee loses the right for whatever reason to operate the Temporary Business at the Host Facility.
>
> q. **Transfer of Franchisee's Traditional Business Without Transfer of Temporary Business**. If the Traditional Business governed by this Agreement is transferred in any manner pursuant to a transaction where the Temporary Business licensed under the Addendum to this Agreement is not transferred in full simultaneously therewith to the identical transferee.

11. **Insurance Coverage**. The Franchisee shall not be required to obtain all-risk personal property insurance for the Temporary Business and accordingly, Section 21.1(iv) shall be deleted.

12. **Franchisee Representation**. The person(s) or entity(ies) executing this Addendum as the Franchisee is (are) identical to or are Affiliates of the person(s) or entity(ies) who executed the Agreement.

13. **Ratification**. Except as modified in this Addendum, all terms, conditions and obligations set forth in the Agreement are hereby ratified and confirmed by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum effective as of the _____ day of _____, 20___.

FRANCHISOR:

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____
Name, Title

FRANCHISEE:

_____

_____
Individually

AND:

(if a corporation or partnership)

_____
Company Name

By:_____
Title:_____

EXHIBIT X

AMENDMENT TO
ROCKY MOUNTAIN CHOCOLATE FACTORY FRANCHISE AGREEMENT
(RENEWAL)

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. ("**Franchisor**") and _____ _____ ("**Franchisee**") are signing a Rocky Mountain Chocolate Factory Franchise Agreement ("**Agreement**") contemporaneously herewith and desire to supplement and amend certain terms and conditions of such Agreement by this Amendment to Rocky Mountain Chocolate Factory Franchise Agreement ("**Amendment**"). Initial capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Agreement. The parties therefore agree as follows:

1. **Initial Fees**. Section 4.1 is deleted in its entirety.

2. **Approval of Lease**. Section 5.1 shall apply according to its terms to all lease renewals and purchase agreements for the Franchised Location which are executed during the term of the Agreement.

3. **Commencement of Operations**. Section 5.7 is deleted in its entirety.

4. **Training**. Statements in Sections 5.7, 6.1 and 6.2 of the Agreement related to the completion of the initial training program shall not be applicable insofar as no additional personnel of the Franchisee will be required to attend the Franchisor's initial training program as a condition precedent to the grant of the Franchisee's right to enter into this renewal Agreement.

5. **Development Assistance**. Article 7 is deleted in its entirety.

6. **Upgrading and Remodeling**. In accordance with Section 10.1.k of the Agreement, Franchisee is required to remodel the Franchisee's Business to current design specifications which includes the following changes to be completed no later than 6 months from date of receipt of the Agreement and this Amendment for signature:

   _____Franchisee acknowledges and agrees that a nonrefundable design fee of up to $5,000 may be due to the Franchisor if the remodeling is extensive enough to require the Franchisor's designated design firm to produce plans for the Franchisee's Business.

7. **Term**. Section 17.1 of the Agreement is deleted and replaced with the following:

   The term of this Agreement begins on the date this Agreement is fully executed and ends 5 years later, unless sooner terminated as provided herein.

8. **Rights Upon Expiration**. Notwithstanding anything to the contrary in Section 17.2 of the Agreement, the Franchisee and Franchisor acknowledge and agree that Franchisee is exercising its right to acquire its first Renewal Term and Franchisee will have the right to acquire 1 additional Renewal Term of 5 years.

9. **Release**. Franchisee for itself, its successors, assigns, agents, representatives, employees, officers and directors, hereby fully and forever unconditionally releases and discharges Franchisor and its successors, assigns, agents, representatives, employees, officers and directors (collectively referred to as "**Franchisor's Affiliates**") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever, in law or in equity, whether known or unknown to it, which it may now have against Franchisor or Franchisor's Affiliates, or which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or

transaction with Franchisor or Franchisor's Affiliates, however characterized or described, which relates in any way to the previous franchise agreement dated _____,between Franchisee and Franchisor or the former franchise relationship, from the beginning of time until the date of this Agreement.

10. **Successor Fee**. Franchisor acknowledges receipt of $5,000 from Franchisee in payment of the successor franchise fee.

11. **Inconsistent Terms**. The terms and conditions of this Amendment are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

Fully executed this ____ day of _____, 20___.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By: _____
Name, Title

FRANCHISEE:

_____

_____ , Individually

_____

_____ , Individually

AND:

Company Name

_____

By: _____
Title: _____

EXHIBIT XI

AMENDMENT TO
ROCKY MOUNTAIN CHOCOLATE FACTORY FRANCHISE AGREEMENT
(TRANSFER)

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. ("**Franchisor**") and _____ _____ ("**Franchisee**") are signing a Rocky Mountain Chocolate Factory Franchise Agreement ("**Agreement**") contemporaneously herewith and desire to supplement and amend certain terms and conditions of such Agreement by this Amendment to Rocky Mountain Chocolate Factory Franchise Agreement ("**Amendment**"). Initial capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Agreement. The parties therefore agree as follows:

1. **Initial Fees**. Section 4.1 is deleted in its entirety.

2. **Approval of Lease**. Section 5.1 shall apply according to its terms to all lease renewals and purchase agreements for the Franchised Location which are executed during the term of the Agreement.

3. **Commencement of Operations**. Section 5.7 is deleted in its entirety and replaced with the following:

   Franchisee agrees that there will be no interruption in the day-to-day operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business due to the change in ownership of the Business from its previous owner to Franchisee.

4. **Training**. The last sentence in Section 6.1 is deleted and replaced with the following:

   At least one individual must successfully complete the initial training program before the Franchisee begins operating the ROCKY MOUNTAIN CHOCOLATE FACTORY Business. If Franchisor does not have a training program scheduled prior to transfer so Franchisee can attend timely, at least one individual must successfully complete the first scheduled initial training program after the Franchisee begins operating the ROCKY MOUNTAIN CHOCOLATE FACTORY Business.

5. **Development Assistance**. Article 7 is deleted in its entirety.

6. **Upgrading and Remodeling**. In accordance with Section 10.1.k of the Agreement, Franchisee is required to remodel the Franchisee's Business to current design specifications which includes the following items to be completed no later than 6 months from the date of transfer: _____. Franchisee acknowledges and agrees that a nonrefundable design fee of $5,000 may be due to the Franchisor if the remodeling is extensive enough to require the Franchisor's designated design firm to produce plans for the Franchisee's Business.

7. **Transfer Fee**. Franchisor acknowledges receipt of $5,000 from Franchisee or from the seller on behalf of Franchisee, in payment of the transfer fee required to be paid in Section 16.2 of the Agreement.

8. **Term**. The term of the Agreement shall begin on the date this Amendment is fully executed and shall end ten years later, unless sooner terminated as provided according to the terms of the Agreement. This provision shall replace Section 17.1 of the Agreement.

9. **Inconsistent Terms**. The terms and conditions of this Amendment are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

Fully executed this ____ day of_____, 20_____.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By: _____
Name, Title

FRANCHISEE:

_____
_____ , Individually

_____
_____ , Individually

AND:

Company Name

_____
By: _____
Title: _____

EXHIBIT XII

AMENDMENT TO ROCKY MOUNTAIN CHOCOLATE FACTORY FRANCHISE AGREEMENT (RELOCATION)

THIS ADDENDUM ("**Addendum**") to the Franchise Agreement dated _____, 20___, ("**Agreement**") is made effective as of _____, 20___, between Rocky Mountain Chocolate Factory, Inc. ("**Franchisor**") and the undersigned "**Franchisee**." The following amends and shall be incorporated into the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Agreement. The Franchisor and the Franchisee agree as follows:

1. **Franchised Location**. The address of the Franchised Location as set forth in Exhibit I to the Agreement, shall be changed to the following address:_____, and the Business configuration shall be:_____.

2. **Limitation on Franchise Rights; Relocation**. In compliance with Section 3.2 of the Agreement, the Franchisee represents that it has operated its ROCKY MOUNTAIN CHOCOLATE FACTORY Business at its former Franchised Location for at least 12 months and desires to relocate the Business to an alternative site. Further, the Franchisee promises that it will open a ROCKY MOUNTAIN CHOCOLATE FACTORY Business at the new Franchised Location set forth in this Amendment within 12 months after the Business closes at its former Franchised Location. In addition, the Franchisee is paying a nonrefundable relocation fee of $10,000 (plus our costs, including attorneys' fees) to the Franchisor concurrently with the execution of this Amendment in consideration for the Franchisor's permission to relocate the Franchised Location.

3. **Approval of Lease**. Section 5.1 shall apply to all leases and purchase agreements which are executed for the new Franchised Location.

4. **Conversion and Design; Signs; Equipment and Permits and Licenses**. The Franchisee agrees that all of the Franchisor's standards and specifications set forth in the Agreement for the conversion and design of the new Franchised Location, signs located at the new Franchised Location, equipment, and permits and licenses necessary to operate the Business at the new Franchised Location will all apply to the new Franchised Location. The Franchisee shall be allowed to transfer its existing computer hardware and software from the former Franchised Location to the new Franchised Location at this time, but the Franchisor reserves the right to require the Franchisee to upgrade computer hardware and software in conjunction with any system-wide upgrades in the future. In addition, the Franchisee is paying a nonrefundable design fee of $5,000 to the Franchisor concurrently with the execution of this Amendment in consideration for the Franchisor's assistance in designing the new Business's interior.

5. **Commencement of Operations**. Section 5.7 is deleted in its entirety and replaced with the following:

   Unless otherwise agreed in writing by the Franchisor and the Franchisee, the Franchisee has 12 months from the date of this Amendment within which to develop the new Franchised Location and commence operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Business. Failure to commence operations within this time frame shall constitute grounds for termination under Article 18 of the Agreement. If the Agreement is terminated by the Franchisor

for failure to commence operation of the Business within this time frame, no refunds of any fees will be available to the Franchisee.

6. **Franchisor's Development Assistance**. The Franchisee acknowledges and agrees that it has already been provided with the development assistance set forth in Section 7.1 of the Agreement and that it is not entitled to additional assistance at the new Franchised Location, unless the Franchisor agrees to provide such assistance in advance in writing and the Franchisee pays a fee for all such assistance.

7. **Term**. The parties agree that the term of the Agreement will end 10 years after the date it was fully executed, despite the relocation of the Business as set forth in this Amendment. The length of time between the closure of the Business at the former Franchised Location and the opening of the Business at the new Franchised Location will not serve to extend the term of the Agreement.

8. **Inconsistent Terms**. The terms and conditions of this Amendment are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

Fully executed this _____ day of _____, 20___.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

_____ By: _____
Date Name, Title

FRANCHISEE:

_____ _____
Date _____ , Individually

_____
_____ , Individually

AND:

Company Name

_____ _____
Date By: _____
Title: _____

EXHIBIT C

DEVELOPMENT AGREEMENT RIDER TO FRANCHISE AGREEMENT

DEVELOPMENT AGREEMENT RIDER
TO ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT

1. **Background**. This Development Agreement Rider (this "**Development Agreement**") is made between **ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.**, a Florida limited liability company ("**we**," "**us**," or "**our**") and _____ ("**you**" **or** "**your**"). This Development Agreement is attached to, and intended to be a part of, that certain Franchise Agreement that we and you have signed concurrently with signing this Development Agreement (the "**Franchise Agreement**") for the operation of the Rocky Mountain Chocolate Factory Business located at _____ (the "**Franchised Location**"). We and you are signing this Development Agreement because you want the right to develop additional Rocky Mountain Chocolate Factory Businesses (besides the Franchised Location covered by the Franchise Agreement) within a certain geographic area over a certain time period, and we are willing to grant you those development rights if you comply with this Development Agreement. Capitalized terms not defined herein shall have the meanings defined in the Franchise Agreement.

2. **Grant of Development Rights**. Subject to your strict compliance with this Development Agreement, we grant you the right to develop ____ (__) new Rocky Mountain Chocolate Factory Businesses (including the Franchised Location covered by the Franchise Agreement), according to the mandatory development schedule described in Exhibit A to this Development Agreement (the "**Schedule**"), within the following geographic area (the "**Area**"):

.

If you (and, to the extent applicable and with our approval, your affiliated entities) are fully complying with all of your obligations under this Development Agreement, and are fully complying with all of your obligations under the Franchise Agreement and all other franchise agreements then in effect between us and you (and, to the extent applicable and with our approval, your affiliated entities) for the development and operation of Rocky Mountain Chocolate Factory Businesses, then during this Development Agreement's term only, we (and our affiliates) may not establish or operate (except to the extent that we already operate Rocky Mountain Chocolate Factory Businesses in the Area), or grant to others the right to establish or operate, a Rocky Mountain Chocolate Factory Business the physical premises of which are located within the Area.

Except for the Rocky Mountain Chocolate Factory Business restriction above, there are no restrictions that this Development Agreement imposes on our (and our affiliates') activities within the Area during this Development Agreement's term. You acknowledge and agree that we and our affiliates have the right to engage, and grant to others the right to engage, in any other activities of any nature whatsoever within the Area, including, without limitation, those rights we reserve in the Franchise Agreement. After this Development Agreement expires or is terminated (regardless of the reason for termination), we and our affiliates have the right to establish and operate, and grant to others the right to establish and operate, Rocky Mountain Chocolate Factory Businesses the physical premises of which are located within the Area and continue to engage, and grant to others the right to engage, in any activities that we (and they) desire within the Area without any restrictions whatsoever.

YOU ACKNOWLEDGE AND AGREE THAT TIME IS OF THE ESSENCE UNDER THIS DEVELOPMENT AGREEMENT AND THAT YOUR RIGHTS UNDER THIS DEVELOPMENT AGREEMENT ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF YOU DO NOT COMPLY STRICTLY WITH THE DEVELOPMENT OBLIGATIONS PROVIDED IN THE SCHEDULE. WE MAY ENFORCE THIS DEVELOPMENT AGREEMENT STRICTLY.

3. **Development Obligations**. To maintain your rights under this Development Agreement, you (and/or affiliated entities we approve) must, by the dates specified in the Schedule, sign franchise agreements for and have open and operating the agreed-upon number of Rocky Mountain Chocolate

Factory Businesses in the Area. You (and/or the approved affiliated entity) will operate each Rocky Mountain Chocolate Factory Business under a separate franchise agreement with us. The franchise agreement (and related documents, including Owner's Guaranty and Assumption of Obligations) that you (and your owners) sign for each additional Rocky Mountain Chocolate Factory Business will be our then current form of franchise agreement (and related documents), any and all of the terms of which may differ materially from any and all of the terms contained in the Franchise Agreement (and related documents). However, despite any contrary provision contained in the newly-signed franchise agreements, your additional Rocky Mountain Chocolate Factory Businesses must be open and operating by the dates specified in the Schedule. To retain your rights under this Development Agreement, each of your Rocky Mountain Chocolate Factory Businesses must operate continuously throughout this Development Agreement's term in full compliance with its franchise agreement.

4. **Subfranchising Rights**. This Development Agreement does not give you any right to franchise, license, subfranchise, or sublicense others to operate Rocky Mountain Chocolate Factory Businesses. Only you (and/or affiliated entities we approve) may develop, open, and operate Rocky Mountain Chocolate Factory Businesses pursuant to this Development Agreement. This Development Agreement also does not give you (or your affiliated entities) any independent right to use the "ROCKY MOUNTAIN CHOCOLATE FACTORY" trademark or our other trademarks and commercial symbols. The right to use our trademarks and commercial symbols is granted only under a franchise agreement signed directly with us. This Development Agreement only grants you potential development rights if you comply with its terms.

5. **Development Fees**. As consideration for the development rights we grant you in this Development Agreement, you must pay us, at the same time you sign this Development Agreement, a total of _____ Dollars ($_____) (the "**Development Fee**"), which equals (a) the Thirty-Five Thousand Dollar ($35,000) (for a full-sized Store) or Twenty Thousand Dollar ($20,000) (for a Kiosk Store) initial franchise fee due under the Franchise Agreement, plus (b) a deposit of Fifteen Thousand Dollars ($15,000) (for a full-sized Store) or Ten Thousand Dollars ($10,000) (for a Kiosk Store) for the second Rocky Mountain Chocolate Factory Business you agree to develop under the Schedule, plus (c) a deposit of Ten Thousand Dollars ($10,000) (for a full-sized Store) or Five Thousand Dollars ($5,000) (for a Kiosk Store) for the third Rocky Mountain Chocolate Factory Business you agree to develop under the Schedule. If you commit to develop four (4) or more Rocky Mountain Chocolate Factory Businesses, development fees are waived for the fourth and each subsequent full-sized Store or Kiosk Store. Our initial franchise fee for the Rocky Mountain Chocolate Factory Businesses you develop pursuant to this Development Agreement is Thirty-Five Thousand Dollars ($35,000) (for each full-sized Store) or Twenty Thousand Dollars ($20,000) (for each Kiosk Store).

The Development Fee is consideration for the rights we grant you in this Development Agreement and for reserving the Area for you to the exclusion of others, is fully earned by us when we and you sign this Development Agreement, and is not refundable under any circumstances, even if you do not comply or attempt to comply with the Schedule and we then terminate this Development Agreement for that reason.

While the Development Fee is not refundable under any circumstances, when you (or your approved affiliated entity) sign the franchise agreement for each additional Rocky Mountain Chocolate Factory Business to be developed, we will apply Fifteen Thousand Dollars ($15,000), Ten Thousand Dollars ($10,000), or Five Thousand Dollars ($5,000) of the Development Fee (depending on whether you develop a full-sized Store or Kiosk Store and whether you are signing a franchise agreement for your second or third additional Rocky Mountain Chocolate Factory Business) towards the initial franchise fee due for that Rocky Mountain Chocolate Factory Business (leaving a balance due of Thirty Thousand Dollars ($30,000), Twenty-Five Thousand Dollars ($25,000), Twenty Thousand Dollars ($20,000), Fifteen Thousand Dollars ($15,000) or Ten Thousand Dollars ($10,000) (for a Kiosk Store) (whichever is applicable).

6. **Grant of Franchises**. You must submit to us a separate application for each Rocky Mountain Chocolate Factory Business you wish to develop pursuant to this Development Agreement. You agree to

give us all information and materials we request in order to assess each proposed site. We will supply you with our site selection criteria; however, we will not conduct site selection activities for you. In granting you the development rights under this Development Agreement, we are relying on your knowledge of the real estate market and your ability to locate and access sites. We will not unreasonably withhold acceptance of any proposed site if the site meets our then current site criteria. However, we have the absolute right not to accept any site not meeting these criteria. If we accept a proposed site, you agree, within the time period we specify (but no later than the date specified in the Schedule), to sign a separate franchise agreement (and related documents) for the Rocky Mountain Chocolate Factory Business and to pay us the remaining portion of the initial franchise fee due, if any. If you do not do so, or cannot obtain lawful possession of the proposed site, we may withdraw our acceptance of the proposed site. After you (and your owners) sign the franchise agreement (and related documents, including Personal Guaranty), its terms and conditions will control your development and operation of the Rocky Mountain Chocolate Factory Business (except that the required opening date is governed exclusively by this Development Agreement).

In addition to our rights with respect to proposed Rocky Mountain Chocolate Factory Business sites, we may delay your development of additional Rocky Mountain Chocolate Factory Businesses pursuant to this Development Agreement for the time period we deem best if we believe, when you submit your application, that you are not yet operationally, managerially, or otherwise prepared, due to the particular amount of time that has elapsed since you developed and opened your most recent Rocky Mountain Chocolate Factory Business, to develop, open and/or operate the additional Rocky Mountain Chocolate Factory Businesses in full compliance with our standards and specifications. We may delay additional development for the time period we deem best as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the Schedule (unless we are willing to extend the Schedule proportionately to account for the delay).

7. **Term**. This Development Agreement's term begins on the date we and you sign it and ends on the date when (a) the final Rocky Mountain Chocolate Factory Business to be developed under the Schedule has opened (or, if earlier, must have opened) for business, or (b) this Development Agreement otherwise is terminated.

8. **Termination**. We may terminate this Development Agreement and your right to develop Rocky Mountain Chocolate Factory Businesses within the Area at any time, effective upon delivery to you of written notice of termination: (a) if you fail to satisfy either your development obligations under the Schedule or any other obligation under this Development Agreement, which defaults you have no right to cure; or (b) if the Franchise Agreement, or any other franchise agreement between us and you (or your affiliated entity) for a Rocky Mountain Chocolate Factory Business, is terminated by us in compliance with its terms or by you (or your affiliated entity) for any (or no) reason; or (c) if we have delivered a formal written notice of default to you (or your affiliated entity) under the Franchise Agreement, or any other franchise agreement between us and you (or your affiliated entity) for a Rocky Mountain Chocolate Factory Business, whether or not you (or your affiliated entity) cure that default and whether or not we subsequently terminate the Franchise Agreement or the other franchise agreement. No portion of the Development Fee is refundable upon a termination of this Development Agreement or under any other circumstances.

Upon the occurrence of any of the events above in this Section 8 during the term of this Development Agreement, we may, at our option, elect to terminate only the exclusivity of the Area (as provided under Section 2 above) instead of terminating this Development Agreement entirely. This means that during the remainder of the term of this Development Agreement, we and our affiliates will have the right to establish and operate, and grant to others the right to establish and operate, Rocky Mountain Chocolate Factory Businesses the physical premises of which are located within the Area and continue to engage, and grant to others the right to engage, in any activities that we (and they) desire within the Area without any restrictions whatsoever. However, such termination of the exclusivity shall be without prejudice to our right to terminate this Development Agreement at any time thereafter for the same default or any other defaults under this Development Agreement.

A termination of this Development Agreement is not deemed to be the termination of any franchise rights (even though this Development Agreement is attached to the Franchise Agreement) because this Development Agreement grants you no separate franchise rights. Franchise rights arise only under franchise agreements signed directly with us. A termination of this Development Agreement does not affect any franchise rights granted under any then-effective individual franchise agreements.

9. **Assignment**. Your development rights under this Development Agreement are not assignable at all. This means that we will not under any circumstances allow the development rights to be transferred. A transfer of the development rights would be deemed to occur (and would be prohibited) if there is an assignment of the Franchise Agreement, any change in your ownership (whether or not it is a controlling ownership interest), any change in your owners' ownership (if such owners are legal entities and whether or not it is a controlling ownership interest), a transfer of this Development Agreement separate and apart from the Franchise Agreement, or any other event attempting to assign the development rights.

10. **Incorporation of Other Terms**. Sections 19.1, 19.3, 22.1, 22.2, 22.3, 22.4, 22.8, 22.9, 22.10, 22.11, 22.13, 22.14, 22.15, 22.17, 22.19, 22.21, 22.22, 22.23, and 22.24 of the Franchise Agreement, entitled "Independent Businesspersons," "Indemnification," "Governing Law/Consent to Venue and Jurisdiction," "Cumulative Rights," "Modification," "Entire Agreement," "Attorneys' Fees," "Injunctive Relief," "Waiver of Punitive Damages and Jury Trial," "No Waiver," "Invalidity," "Notices," "Authorization to Communicate Electronically; Prompt Response Required," "Electronic Signatures," "Anti-Terrorism Representation," "Limitation of Claims," "Limited Liability for Franchisor's Related Parties," "Covenant of Good Faith," and "Multiple Forms of Agreement" respectively, are incorporated by reference in this Development Agreement and will govern all aspects of this Development Agreement and our and your relationship as if fully restated within the text of this Development Agreement.

11. **Rider to Control**. Except as provided in this Development Agreement, the Franchise Agreement remains in full force and effect as originally written. If there is any inconsistency between the Franchise Agreement and this Development Agreement, the terms of this Development Agreement will control.

Dated this _____ day of _____, 20__.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.	**FRANCHISEE**
	_____
	[Name]
By:_____	By:_____
Title:_____	Title:_____
Date:_____	Date:_____

EXHIBIT A
TO DEVELOPMENT AGREEMENT RIDER

You agree to develop and open _____ (__) new Rocky Mountain Chocolate Factory Businesses in the Area, including the Franchised Location that is the subject of the Franchise Agreement, according to the following Schedule:

Rocky Mountain Chocolate Factory Business Number	**Type of Rocky Mountain Chocolate Factory**	**Date by which Franchise Agreement Must be Signed**	**Date by which Lease Must be Signed**	**Date by which Rocky Mountain Chocolate Factory Business Must be Opened**	**Cumulative Number of Rocky Mountain Chocolate Factory Businesses to Be Open and Operating in the Area No Later than the Opening Dates (in previous column)**
1					1
2					2
3					3
4					4
5					5

*If you open the first Rocky Mountain Chocolate Factory Business before the First Deadline, the deadlines for opening the subsequent Rocky Mountain Chocolate Factory Businesses will remain the specified number of months after the First Deadline (rather than the specified number of months from the preceding Rocky Mountain Chocolate Factory Business's actual opening date).

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.	**FRANCHISEE**
	_____
	[Name]
By:_____	By:_____
Title:_____	Title:_____
Date:_____	Date_____

EXHIBIT D

ROCKY MOUNTAIN CHOCOLATE FACTORY
LIST OF FRANCHISEES
AS OF FEBRUARY 28, 2025

NAME	ADDRESS	CONTACT INFO
ARIZONA		
G & J Stitt Corporation Jenna & Gavin Stitt	7700 W. Arrowhead Town Center, Space 1238, Glendale, AZ 85308	504-613-7721
J.J. Linaberger Corp. Justin Linaberger & Ruth Briggs	4250 Anthem Way, Suite 485 Phoenix, AZ 85027	480-659-0256
Frozen Geckos, Inc. Michael D. Hockett	2510 W Happy Valley Rd., #1251 Phoenix, AZ 85085	602-942-6266
RM Sedona LLC Alexandra & Nick Vudrag	270 N State Route 89A, Suite 2 Sedona, AZ 86336	480-821-4503
E & S Kim Enterprises, Inc. Sean & Elise Kim	5000 Arizona Mills Circle #454 Tempe, AZ 85282	602-790-4533
J.J. Linaberger Corporation Justin Linaberger	2000 E. Rio Salado Parkway Tempe, AZ 85281	480-659-0256
Om Sri, LLC Somdatta Nath & Shradhanand Devu Ramaswamy	13610 N. Scottsdale Road Suite 24, Scottsdale, AZ 85254	(480) 663-3097
Honeybee Production, LLC., Fred & Donna Willis	9210 E Via De Ventura, #108, Scottsdale, AZ 85258	(480) 473-0229
CALIFORNIA		
B & H Factory, Inc. Peter & Anita Farzin	1065 Brea Mall, Ste 1044A Brea, CA 92821	949-215-8966
Brentwood Chocolates, Inc LaTricia Adkins	2485 Sand Creek Rd, Suite 136 Brentwood, CA 94513	925-513-3384
CRAKIM, Inc. Kim Turner	740 Ventura Blvd., Ste. 506 Camarillo, CA 93010	509-763-2753
Six Monkeys, Inc. Laura Vavakin	13920 City Center Drive, Chino, CA 91709	714-809-2201
Karina & Edgar Contreras Karina & Edgar RMCF, LLC	100 Citadel Drive, Suite 442 Commerce, CA 90040	323-821-1346
ABBCKDA Group of Companies, Corp Don & Alma Lepana	278 Sun Valley Mall, Space D-135 Concord, CA 94520	925-825-3030
4 Peas, S Corp Raymond & Diane DelFiandra, Mallori DelFiandra Harlin, Chelsea Brady Grayek	2785 Cabot Dr. #105 Corona, CA 92883	(951)-277-7555
Shree Siddhivinayak LLC Harshad & Jignasa Panchal	13000 Folsom Blvd., Suite 809 Folsom, CA 95630	916-768-9717
LaTricia's Gourmet Chocolates LLC LaTricia Adkins	175 E Paseo Del Centro Fresno, CA 93720	816-308-3167
LaTricia's Gourmet Chocolates LLC LaTricia Adkins	639 E. Shaw Ave., Ste 167 Fresno, CA 93710	816-308-3167
Daniel Capital Corporation Maxine Daniel	200 Main St., Suite 106 Huntington Beach, CA 92648	714-863-9427
RM-HB Chocolate LLC Timothy Schimming	7777 Edinger Ave., Suite C-178 Huntington Beach, CA 92648	714-901-3107
East Valley Tourist Development Authority Fantasy Springs Resort and Casino	84245 Indio Springs Parkway Indio, CA 92203	760-238-5607

Sweet Trade Corp. Al Hendizadeh	617 Spectrum Drive Irvine, CA 92618	949-833-2224
Jessel and Company, Inc. Neva Jessel	28200 Hwy. 189, Suite C-200 Lake Arrowhead, CA 92352	909-337-7571
Bria Family, Inc. Stephen & Jeanne Bria	115 South School St, Ste 4 Lodi, CA 95240	209-329-1372
Daniel Capital Corporation Maxine Daniel	419 Shoreline Village Dr., Suite F Long Beach, CA 90802	714-969-9427
Tom & Susan Addis	6201 Minaret Rd., Space #213 Mammoth, CA 93546	858-735-6269
Tom & Susan Addis	46043 Old Mammoth Road Mammoth Lakes, CA 93546	858-735-6269
Vinnie & Anne Bhan	303 E. Yosemite Manteca, CA 95336	209-823-9638
P & F Factory, Inc. Peter & Anita Farzin	2118 Montclair Plaza Lane Montclair, CA 91763	949-981-1482 Pf70@yahoo.com
Heinemann Group, Inc. Hal & Vicki Heinemann	647 Cannery Row Monterey, CA 93940	805-466-4080
A & F Factory, Inc. Peter & Anita Farzin	One Mills Circle, Ste. 809 Ontario, CA 91764	949-981-1482
A & P Factory, Inc. Peter & Anita Farzin	20 City Blvd. West Bldg. A Orange, CA 92868	949-981-1482
KNA Ventures, LLC., Kellen McCrary & Nicole Daryanani	2200 Petaluma Blvd., Ste 410 Petaluma, CA 94952	952-913-5621
Heinemann Group, Inc. Hal & Vicki Heinemann	333 Five Cities Dr. Pismo Beach, CA 93449	805-461-3395
Kelber Candy Company, Inc. Jim & Celeste Kelber	12545 N Main St. Rancho Cucamonga, CA 91739	909-633-0500
Kevin Delfiandra	71-800 HWY 111, Sp. A-142 Rancho Mirage, CA 92270	760-342-5347
T & B LLC Felix & Stephanie Torres & Gina Borden	10060 Alabama St. Suite C Redlands, CA 92374	909-335-9735
Old Town Sweets, LLC. Jessica & Zachary Feuerbach	1039 2nd Street Sacramento, CA 95814	(916)-448-8801
RM Chocolates Lake Elsinore LLC Robert & Danelle Schimming	101 W Avenida Vista Hermosa Bldg #1-STE 612 San Clemente, CA 92672	816-752-6542
KNA Ventures, LLC., Kellen McCrary & Nicole Daryanani	1053 Santa Rosa Plaza Santa Rosa, CA 95401	952-913-5621
Heinnmann Group, Inc. Hal & Vicki Heinemann	1655 Copenhagen Drive Solvang, CA 93463	805-441-3395
Greenfelt LLC Raymond, Diane & Mallori Delfiandra	40820 Winchester Rd., Suite 2270 Temecula, CA 92591	951-926-6468
Tulare Chocolates, Inc. LaTricia Adkins	1413 Retherford St. #D163 Tulare, CA 93274	816-308-3167
Frank Vicarra, Christine Rivali, Justin Nava, Sulema Nava Coco Wonka, LLC	14400 Bear Valley Rd., Suite 801 Victorville, CA 92392	760-539-6062
Candy Ribbon, Inc. Ryan & Rachael Sproles	1030 Plaza Drive West Covina, CA 91790	562-342-9718
COLORADO		
Chocolate Ambitions, LLC Diana Gutierrez & Scott Ouellet	6240 S. Main St., Ste 102 Aurora, CO 80016	416-628-3316 (Diana)
JC & Co. Inc. Tom & Jessica Cho	1300 Pearl Street Boulder, CO 80302	303-524-9799
DAM Ventures LLC David & Meredith Smith	226 S. Main St. G4 Reliance Pl. Breckenridge, CO 80424	970-402-9634

CJ Broomfield, LLC Tom Cho	1 W. Flatiron Circle, #1074 Broomfield, CO 80021	303-524-9799
CR Café LLC Jacob and Brianna Blaylock	5050 Factory Shops Blvd. Space 820 Castle Rock, CO 80920	816-273-3635
RK Investment Company Lola Mae Baalman & Kevin Baalman,	2431 W. Colorado Ave. Colorado Springs, CO 80904	303-885-1449
RKIC #2, Inc. Lola Mae Baalman & Kevin Baalman	1605 Briargate Pkwy, Suite 111 Colorado Springs, CO 80920	303-885-1449
Chocolate of the Rockies, Inc. Nancy Riemer	314 Elk Ave. Crested Butte, CO 81224	970-596-078
El-Roi, LLC Muluye Hailemariam & Berihun Chibsa	8900 Pena Blvd. Concourse B-52 Denver, CO 80249	720-297-5671
Williams LLC Marissa & Eric Williams	1512 Larimer St., Space #44-R Denver, CO 80202	303-347-1679
Williams LLC Marissa & Eric Williams	500 16th Street, Ste 118 Denver, CO 80202	303-347-1679
Moose Creek Trading Company, Inc. Joan & Eric Adams	517 Big Thompson Ave. Estes Park, CO 80517	970-586-3463
Sweet Sensations I Inc. Kerri Reiger-Cole	215 E. Foothills Pkwy, Ste 525 Ft. Collins, CO 80525	970-663-5599
Summers Cookies, LLC Christina & Collin Summers Stewart	8501 W. Bowles Ave., Space 2015 Littleton, CO 80123	303-961-2511
DAM Ventures LLC David & Meredith Smith	247 Rainbow Drive, G-250 Silverthorne, CO 80498	970-402-9634
Chocolate Rx, LLC Dr. Mary Beth Lewis-Boardman & Dr. Jason Boardman	624 Lincoln Avenue Steamboat Springs, CO 80487	(970) 870-3048
TL OTC, LLC Ross Theesen & Seth Lyons	14647 Delaware St. #1200 Westminster, CO 80020	816-294-7362 or 816-752-5229
Vail Chocolates, LLC Pablo Quiroga & Gabriela Henriquez	158 Gore Creek Drive Lodge at Vail Condo Unit #132, Vail, CO 81657	(970) 476-7623
FLORIDA		
ZAMFAM Enterprises, Inc. Wilfredo E. (Willie) and Maria Alexandra Zamora	2312 Grand Cypress Drive, Suite 845 Lutz, FL 33559	813.949.0900
HaSiLa LLC Marissa & Eric Williams	10562 Hwy. 98 West, #117 Miramar Beach, FL 32550	303-347-1679
Innovative Retail Enterprises, LLC. Rudy Cook & Jared Downs	2700 FL-16 St. Augustine, FL 32092	336-413-6870 (Rudy) 980-722-3489 (Jared)
IDAHO		
Silky Smooth Chocolatiers, LLC. Brian and Kathy Silk	6097 N Ten Mile Road, Ste 140, Meridian, ID 83646	715-574-1559 (Brian) 208) 869-0793 (Kathy)
ILLINOIS		
The Grove Inc.	Terminal 3, Upper Level, Space #T3H.U.33.B, Gate H-5 Chicago, IL 60666	708-531-1694
Raab's Sweet Tooth Enterprises, LTD Kirk and Kelly Raab	207 South Main, St. Galena, IL 61036	815-990-3096 815-238-4578
La Grange Candy, Inc. Tyson Minnick & Erica Ricker	50-B La Grange Road La Grange, IL 60525	312-613-4965
Pamela & Thomas Lockowitz	541 N Milwaukee Avenue Libertyville, IL 60048	847-362-9288
Three JC LLC Janet and Jeffrey Sorensen	2835 Showplace Dr., Ste 111 Naperville, IL 60564	630-853-3298 630-673-7979
Dented Kettle Confections, LLC Mairead & Josie Flynn	4700 N. University St., Ste 21 Peoria, IL 61614	630-605-9609 309-265-4664

IOWA		
DAM Ventures Valley Junction, LLC., David & Meredith Smith	113 5th Street, Suite A, West Des Moines, IA 50265	970-402-9634
KANSAS		
Parra Group LLC Kathleen & Geovanny Parra	1837 Village West Pkwy, Ste 127 Kansas City, KS 66111	913-258-5692
MICHIGAN		
H & N Sweets LLC Hassan & Nadine Gomah	3116 Fairlane Drive, Allen Park, MI 48101	313-274-4085
A.A. Gnyp Ventures LLC Andy & Alene Gnyp	4350 Baldwin Road, Space 712 Auburn Hills, MI 48326	615-300-7085
Mezzar Enterprizes LLC Andy & Alene Gnyp & Gary Krapfl	17420 Hall Road, Space 196 Clinton Township, MI 48038	615-300-7085
Northwestern Michigan Candy, RMCF, LLC. Mohamed Al-Ramamneh	2800 W. Big Beaver Rd. Space W-326, Troy, MI 48084	248-228-6052
MINNESOTA		
A Bridge to Market, Inc. Laure Holden	128 E Broadway Bloomington, MN 55425	952-393-9083
Debbie & Michael Bolen, Inc. Michael & Debbie Bolen	395 S. Lake Ave., Suite 4 Duluth, MN 55802	218-390-2899
Bequest, LLC., Andre Wylie	4300 Glumack Dr. LT-2360 St. Paul, MN 55111	414-839-4855
MISSISSIPPI		
Oxford Sweets LLC., Gail Miller	2305 W. Jackson, Suite 204 Oxford, MS 39180	662-236-2982
RMCF – Vicksburg LLC Brady Ellis	4000 S. Frontage Road, Suite 112C Vicksburg, MS 39180	601-456-0202
MISSOURI		
Taney Truffles, LLC Jakob Grimm	403 Branson Landing Blvd Branson, MO 65616	816-344-4409
Geehan Delicacies, LLC Matthew Geehan	30 W. Pershing, Suite 130 Kansas City, MO 64108	816-216-4857
RMCF St. Joe LLC Steve Craig	3715 Frederick Ave., Unit B St. Joseph, MO 64506-3018	949-224-4100
NEVADA		
Shaheroz, Ajaz & Aahil Ramzan Chill Factor, Inc.	4500 West Tropicana Ave. Las Vegas, NV 89103	818-968-0837
Shaheroz, Ajaz & Aahil Ramzan	220 E. Freemont Street Las Vegas, NV 89101	818-968-0837
Zrinyi & Ingstad Investments, Inc. Greg Zrinyi & Brita Ingstad	5100 Mae Anne Ave, Ste 101 Reno, NV 89523	775-742-6888
NEW JERSEY		
RMCF LB, LLC., David Semer	56 Centennial Drive Long Branch, NJ 07740	732-996-9850
NEW MEXICO		
ABQ Chocolate LLC Ross Theesen	6600 Menaul Blvd. NE, Suite D1 Albuquerque, NM 87110	816-244-6697
Cottonwood Chocolates LLC Ross Theesen	10000 Coors Blvd., Suite B5 Albuquerque, NM 87114	816-244-6697
Holiday Maker, LLC Kristy and Derek Graff	4601 East Main St. Farmington, NM 87402	505-360-7421
Ski Valley Candy, LLC Treca Boney	112 S. Plaza Taos, NM 87571	575-760-1260

NORTH CAROLINA		
Amesbury Lane, LLC Amanda Bostian	302 Colonades Way #203 Cary, NC 27518	919-225-5322
McCosh Chocolates, Inc. Jay McCosh & Cathy Thompson McCosh	Charlotte Douglas International Airport, (1) 5501 Josh Birmingham Pkwy Charlotte, NC 28208	704-879-4629
McCosh Chocolates, Inc. Jay McCosh & Cathy Thompson McCosh	Charlotte Douglas International Airport, (2) 5501 Josh Birmingham Pkwy Charlotte, NC 28208	704-879-4629
Alex Paul, Inc. Tae Min Kim and Hojin Yang	8111 Concord Mills Blvd., Suite 424 Concord, NC 28027	704-806-7571
Innovative Retail Enterprises, LLC. Rusy Cook & Jared Downs	638 Friendly Center Road, Greensboro, NC 27408	336-413-6870 980-722-3489
Kim's Gone Cocoa LLC Kimberly Henderson	921 Park Center Drive Matthews, NC 28105	704-618-7437
Eileen Arabian Hey, Sweet Rallie, Inc.	8521 Brier Creek Parkway, Suite 103 Raleigh, NC 27616	347-556-2870
Innovative Retail Enterprises, LLC Jared Downs and Rudy Cook	3320 Silas Creek Parkway, Space AU572 Winston-Salem, NC 27103	336-413-6870
Yong Koo Han	6801 Northlake Mall Drive, Suite 185 Charlotte, NC 28216	704-540-5233
OHIO		
Mike Biasella & James Markino Westlake Rocky, LLC	204 Crocker Park Blvd. Westlake, OH 44145	330-704-8686 330-705-6884
OKLAHOMA		
John & Janna Boyer and Cassidy and Larry Jackson	714 S. Main Street Stillwater, OK 74074	405-624-1891
MC Chocolate Factory, LLC. Matt Stallings & Charles Hamm	140 E. 5th street Edmond, OK 73034	405-693-9651
OREGON		
Sola Fide, Inc. Michael & Rhonda Smith	33 E. Main St. Ashland, OR 97520	805-878-7157
Clarey Enterprises, LLC. Michael Clarey	13200 SE 172 Avenue, Suite 148, Happy Valley, OR 97086	503-704-4249
RMCF Troutdale LLC Erika Ricker & Steve Mitnick	450 NW 257th Ave., Space 336 Troutdale, OR 97060	816-294-9505
RMCF Woodburn LLC Amanda Keeling	1001 Arney Road, Suite 409 Woodburn, OR 97071	(402) 330-0411
PENNSYLVANIA		
Subedi Brothers LLC Nandu Subedi, Mukti Subedi & Devi Subedi	5800 Peach Street, Space 275 Erie, PA 16565	814-602-0209
BBA Enterprises LLC Brian & Amy Hinebaugh	1911 Leesburg -Grove City Road, Suite 750 Grove City, PA 16127	(903) 829-2277
SOUTH DAKOTA		
GKG LLC Kendra & Gary Larson, Gena & Merle Karen	507 6th Street Rapid City, SD 57701	605-716-4700
TENNESSEE		
Nashville Chocolate, Inc. Andy & Alene Gnyp	348 Opry Mills Drive Nashville, TN 37214	615-300-7085
TEXAS		
IV Aces, LLC Anthony & Fernando (Fernie) Aceves, Rebecca Rodriguez, Lisa Hayes	7051 S. Desert Blvd, E 505 Canutillo, TX 79835	(915) 877-3435
Sweet Like Sugar, LLC Sergio & Renee Flores	8889 Gateway Blvd., West Suite #1302 El Paso, TX 79925	915-239-5009

Caravageli Ventures, Inc. Demastines, Demas-& Jennifer Caravageli	2225 Strand, Ste 103 Galveston, TX 77550	caravegeli@msn.com (409) 762-4340
Cediel Concession Management, LLC Mario Cediel	Houston Hobby International Airport 7800 Airport Blvd. Houston, TX 77061 346-600-5163	713-851-8867
Cediel Concession Management, LLC Mario Cediel	George Bush Intercontinental Airport (II) 3100 Terminal Rd, Terminal A South #101AN Houston, TX 77032	713-851-8867
Hill Country Chocolatier LLC David & Iluminda Ott	303 Memorial City, Ste 850 Houston, TX 77024	830-964-2339
RGV Chocolate LLC Veronica & Patricia Barerra	La Plaza Mall 2200 S. 10th St., Ste C-75 McAllen, TX 78503	956-973-9659
VLB LLC Veronica & Patricia Barerra	3300 E Expressway 83, Ste 170 McAllen, TX 78501	956-973-9659
PVB LLC Veronica, Patricia, & Mirta Barrera	5001 E Expressway 83, Ste 331 Mercedes, TX 78570	956-973-9659
CAK Chocolate, LLC., Melissa and Randal Wiecker	2091 Summer Lee Drive, Ste 103 Rockwall, TX 75032	214-202-8639
Hill Country Chocolatier III LLC David & Iluminda Ott	4401 N. Hwy 35 #743 Round Rock, TX 78664	830-964-2339
Ajaz Ramzan Shaheroz Ramzan	522 River Walk St San Antonio, TX 78205	213-761-4065
Hill Country Chocolatier LLC David & Iluminda Ott	4015 S Interstate 35, Suite 835 San Marcos, TX 78666	830-964-2339
KMCJ Enterprises LLC Marshall & Kristie Morton	301 Tanger Dr., Suite 201 Terrell, TX 75160	214-906-8171
UTAH		
RMCF Traverse Mountain LLC Alison Canaday	3700 N. Cabelas Boulevard, Space 252 Lehi, UT 84043	949-224-4100
The Golden Goose Lori & Eric Rutland	206 W. Main Street, #B Midway, UT 84049	435-503-7573 435-881-1875
Chocolate ART, Inc. Todd & Bethany Sinks	University Place 575 E. University Parkway Orem, UT 84097	512-638-3916
Wasatch Back Chocolates LLC Chip & Kathy Pederson	510 Main Street Park City, UT 84060	kipinpc@aol.com 435-640-1183
Wasatch Back Chocolates LLC Chip & Kathy Pederson	1385 Lowell Ave. Park City, UT 84060	435-640-1183
Chocolate ART, Inc. Todd, Bethany & Alyssa Sinks and Riley Young	4801 N. University Ave., Space 740 Provo, UT 84604	512-638-3916
Aspen Creek Enterprises Bill & Shaunna Durante	250 Red Cliffs Drive, Space 20 St. George, UT 84790	rmcf@bajabb.com 435-632-9369
Sweet Ventures, Inc. Iris S., Susy-Koehn	776 N Terminal Dr. Space 1 Salt Lake City, UT 84116	970-481-4866
WASHINGTON		
MacSpikj Chocolates LLC Tim & Pamela McWilliams	561 S. Fork Ave. SW, Ste. H North Bend, WA 98045	970-445-8218

FRANCHISEES WHO PURCHASED A FRANCHISE
AND STORE NOT OPEN
AS OF FEBRUARY 28, 2025

NAME	ADDRESS	CONTACT INFO
ZAMFAM Enterprises, Inc. Willie & Alex Zamora	Brandon Exchange, Brandon Town Mall Center, K-9105, Brandon, FL 33511	(954) 336-7010
State Street Chocolates, LLC Tyson Minnick	1 State Street Chicago, IL 60602	(312) 613-4965
TH King LLC Ross Theesen and Mike Hill	415 King St Charleston, SC 29401	(816) 752-5229

EXHIBIT E

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISED STORES THAT HAVE CLOSED, TRANSFERRED, BEEN TERMINATED OR OTHERWISE LEFT THE SYSTEM DURING FISCAL YEAR 2025

From March 1, 2024 to February 28, 2025
If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

NAME	ADDRESS	CONTACT INFO
CALIFORNIA		
JWR Enterprises, Inc. Jerry & Cathy Ramirez	2785 Cabot Dr. #105 Corona, CA 92883	714-891-5814
Swastik Enterprises, LLC. Prakash Tolani	278 Sun Valley Mall, Space D-135 Concord, CA 94520	408-887-6629
Jerrald & Cynthia Haws	1039 2nd Street Sacramento, CA 95814	530-521-7180
Sweet and Delightful RA, LLC Randa Basily	248 South Coast HWY Laguna Beach, CA 92651	949-496-4457
COLORADO		
Anthony Higgins & Yang Ping	8501 W. Bowles Ave., Sp. 2B-125 Littleton, CO 80123	303-956-8816
Four Chocolatiers, Inc. Todd, Cristina, Brad & Bridee Maxwell	158 Gore Creek Drive Vail, CO 81657	303-269-1441
Chocolate Ambitions, LLCDiana Gutierrez & Scott Ouellet	624 Lincoln Avenue Steamboat Springs, CO 80487	416-628-3316 (Diana)
TL Belmar, LLC Ross Theesen & Seth Lyons	414 S. Teller Street Lakewood, CO 80226	816-752-5229 (Ross) 816-294-7362 (Seth)
IDAHO		
Magic Pumpkin Properties LLC Sharon Fullmer	236 South, 2nd East Rexburg, ID 83440	208-356-8069
ILLINOIS		
Sugar Girls, Inc. Kim Smith	300 Happ Rd., Ste 114 Northfield, IL 60093	847-680-8271
The Grove Inc.	Terminal 1, Gate B-14 Chicago, IL 60666	708-531-1694

IOWA		
Williamsburg Confections LLC Scott & Diane Wahe	1991 Tanger Drive, Suite 102A Williamsburg, IA 52361	319-668-2931
MICHIGAN		
Birch Run's Ultimate Chocolate Shop LLC Rick Jackson & Jim Aman	8825 Marketplace Dr., Suite 425 Birch Run, MI 48415	740-272-1742
NEVADA		
Shaheroz, Ajaz & Aahil Ramzan	1955 S. Casino Drive #338 Laughlin, NV 89029	818-968-0837
NEW HAMPSHIRE		
Tilton Chocolate Shop, Inc. Jim Aman	120 Laconia Road, Suite 200 Tilton, NH 03276	740-272-1742
NORTH CAROLINA		
McCosh Chocolates, Inc. Jay McCosh & Cathy Thompson McCosh	Charlotte Douglas International Airport - Kiosk 5501 Josh Birmingham Pkwy Baggage Claim Zone D Charlotte, NC 28219	704-879-4629
TEXAS		
Pink Tulips, Inc. Lorena Fourzan	7051 S. Desert Blvd, E 505 Canutillo, TX 79835	915-533-9839
Cediel Concession Management, LLC Mario Cediel	George Bush Intercontinental Airport (I) 3100 Terminal Rd, Terminal B Houston, TX 77032	(713) 851-8867
Cediel Concession Management, LLC Mario Cediel	George Bush Intercontinental Airport (II) 3100 Terminal Rd, Terminal B Houston, TX 77032	(713) 851-8867
WASHINGTON		
Bavarian Village Chocolate LLC Kenneth, Morey, & Tim Grosse	636 Front Street Leavenworth, WA 98826	509-763-2753

(1) -Denotes they currently own one or more additional stores.
(2) -Denotes a transfer of store ownership.
(3)- Denotes franchise organization reacquired location

EXHIBIT F

FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Rocky Mountain Chocolate Factory, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Rocky Mountain Chocolate Factory, Inc. (the "Company") as of February 28, 2025 and February 29, 2024, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the fiscal years then ended, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2025 and February 29, 2024, and the results of its operations and its cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's ability to continue as a Going Concern
The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As disclosed in Note 1 to the financial statements, the Company has incurred recurring losses and negative cash flows from operations in recent years and is dependent on debt financing to fund its operations, all of which raise substantial doubt about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters
Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ CohnReznick LLP

We have served as the Company's auditor since 2023.

Los Angeles, California
June 20, 2025

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	FOR THE YEARS ENDED FEBRUARY 28 or 29,	
	2025	2024
Revenues		
Sales	$ 24,015	$ 22,022
Franchise and royalty fees	5,564	5,929
Total Revenue	29,579	27,951
Costs and Expenses		
Cost of sales	23,916	20,656
Franchise costs	2,414	2,582
Sales and marketing	1,995	2,132
General and administrative	6,305	6,674
Retail operating	716	671
Depreciation and amortization, exclusive of depreciation and amortization expense of $775 and $750, respectively, included in cost of sales	175	138
Total costs and expenses	35,521	32,853
Loss from Operations	(5,942)	(4,902)
Other Income (Expense)		
Interest expense	(454)	(53)
Interest income	27	79
Gain on disposal of assets	247	-
Other (expense) income, net	(180)	26
Loss Before Income Taxes	(6,122)	(4,876)
Income Tax Provision	-	-
Loss from Continuing Operations	(6,122)	(4,876)
Earnings (loss) from discontinued operations, net of tax	-	704
Net Loss	$ (6,122)	$ (4,172)
Basic Loss per Common Share		
Loss from continuing operations	$ (0.86)	$ (0.77)
Earnings (loss) from discontinued operations	—	0.11
Net loss	$ (0.86)	$ (0.66)
Diluted Loss per Common Share		
Loss from continuing operations	$ (0.86)	$ (0.77)
Earnings (loss) from discontinued operations	-	0.11
Net loss	$ (0.86)	$ (0.66)
Weighted Average Common Shares Outstanding - Basic	7,079,171	6,294,411
Dilutive Effect of Employee Stock Awards	-	-
Weighted Average Common Shares Outstanding - Diluted	7,079,171	6,294,411

The accompanying notes are an integral part of these consolidated financial statements.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	AS OF FEBRUARY 28 or 29,	
	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 720	$ 2,082
Accounts receivable, less allowance for credit losses of $307 and $332, respectively	3,405	2,184
Notes receivable, current portion, less current portion of the allowance for credit losses of $28 and $30, respectively	11	489
Refundable income taxes	64	46
Inventories	4,630	4,358
Other	393	443
Total current assets	9,223	9,602
Property and Equipment, Net	9,409	7,758
Other Assets		
Notes receivable, less current portion and allowance for credit losses of $0	69	695
Goodwill	576	576
Intangible assets, net	210	238
Lease right of use asset	1,241	1,694
Other	447	14
Total other assets	2,543	3,217
Total Assets	$ 21,175	$ 20,577
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 4,816	$ 3,411
Line of credit	-	1,250
Accrued salaries and wages	697	1,833
Gift card liabilities	649	624
Other accrued expenses	80	300
Contract liabilities	139	151
Lease liability	488	503
Total current liabilities	6,869	8,072
Note payable	5,957	-
Lease Liability, Less Current Portion	770	1,191
Contract Liabilities, Less Current Portion	604	678
Total Liabilities	14,200	9,941
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, $.001 par value per share; 250,000 authorized; 0 shares issued and outstanding	-	-
Common stock, $.001 par value, 46,000,000 shares authorized, 7,722,124 shares and 6,310,543 shares issued and outstanding, respectively	8	6
Additional paid-in capital	12,355	9,896
(Accumulated Deficit) Retained earnings	(5,388)	734
Total stockholders' equity	6,975	10,636
Total Liabilities and Stockholders' Equity	$ 21,175	$ 20,577

The accompanying notes are an integral part of these consolidated financial statements.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-In	Retained Earnings (Accumulated Deficit)	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital		Equity
Balances as of February 28, 2023	**—**	**$ -**	**6,257,137**	**$ 6**	**$ 9,458**	**$ 4,906**	**$ 14,370**
Equity compensation, restricted stock units, net of shares withheld	—	—	48,890	—	438	—	438
Net loss	—	—	—	—	—	(4,172)	(4,172)
Balances as of February 29, 2024	**—**	**$ -**	**6,306,027**	**$ 6**	**$ 9,896**	**$ 734**	**$ 10,636**
Equity compensation, restricted stock units, net of shares withheld	—	—	166,147	—	273	—	273
Issuance of common stock through securities purchase agreement	—	—	1,250,000	2	2,186	—	2,188
Net loss	—	—	—	—	—	(6,122)	(6,122)
Balances as of February 28, 2025	**—**	**$ -**	**7,722,174**	**$ 8**	**$ 12,355**	**$ (5,388)**	**$ 6,975**

The accompanying notes are an integral part of these consolidated financial statements.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	FOR THE YEARS ENDED FEBRUARY 28 or 29,	
	2025	2024
Cash Flows From Operating Activities		
Net Loss	$ (6,122)	$ (4,172)
Less: Earnings from discontinued operations, net of tax	—	704
Loss from continuing operations	(6,122)	(4,876)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	950	887
Debt issuance costs	7	—
Provision for obsolete inventory	322	189
Provision for recovery on accounts and notes receivable	(27)	(402)
Gain on sale or disposal of property and equipment	(247)	(37)
Expense recorded for stock compensation	273	438
Changes in operating assets and liabilities:		
Accounts receivable	(1,194)	227
Refundable income taxes	(18)	299
Inventories	(297)	(879)
Other current assets	50	(101)
Accounts payable	1,109	975
Accrued liabilities	(1,316)	999
Contract liabilities	(85)	(115)
Net cash used in operating activities of continuing operations	(6,595)	(2,396)
Net cash used in operating activities of discontinued operations	—	(39)
Net cash used in operating activities	(6,595)	(2,435)
Cash Flows from Investing Activities		
Addition to notes receivable	-	(136)
Proceeds received on notes receivable	201	164
Proceeds from the sale or distribution of assets	2,265	112
Purchases of property and equipment	(3,762)	(3,017)
Increase in other assets	(359)	-
Other	-	9
Net cash used in investing activities of continuing operations	(1,655)	(2,868)
Net cash provided by investing activities of discontinued operations	-	1,418
Net cash used in investing activities	(1,655)	(1,450)
Cash Flows from Financing Activities		
Proceeds from line of credit	2,200	1,250
Payment on line of credit	(3,450)	
Proceeds from notes payable	6,000	
Payment of debt issuance costs	(50)	
Issuance of common stock through securities purchase agreement	2,188	
Net cash provided by financing activities	6,888	1,250
Net Decrease in Cash and Cash Equivalents	(1,362)	(2,635)
Cash and Cash Equivalents, Beginning of Year	2,082	4,717
Cash and Cash Equivalents, End of Year	$ 720	$ 2,082

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The accompanying consolidated financial statements include the accounts of Rocky Mountain Chocolate Factory, Inc., a Delaware corporation, its wholly-owned subsidiaries, Rocky Mountain Chocolate Factory, Inc. (a Colorado corporation) and U-Swirl, Inc. ("SWRL"), and its previous wholly-owned subsidiaries, Aspen Leaf Yogurt, LLC (dissolved in November 2023) and U-Swirl International, Inc. (dissolved in October 2023) (“U-Swirl”), (collectively, the “Company”, "we", “RMCF”).

The Company is an international franchisor, confectionery producer and retail operator. Founded in 1981, we are headquartered in Durango, Colorado and produce an extensive line of premium chocolate and other confectionery products. Our revenues and profitability are derived principally from our franchised/licensed system of retail stores that feature chocolate and other confectionery products including gourmet caramel apples.

On February 24, 2023 the Company entered into an agreement to sell its three Company-owned U-Swirl locations. Separately, on May 1, 2023, subsequent to the 2023 fiscal year end, the Company entered into an agreement to sell its franchise rights and intangible assets related to U-Swirl and associated brands. As a result, the activities of the Company’s U-Swirl subsidiary that have historically been reported in the U-Swirl segment have been reported as discontinued operations. See Note 15 – Discontinued Operations in the Notes to Consolidated Financial Statements for additional information regarding the Company's discontinued operations, including net sales, operating earnings and total assets by segment. The Company’s financial statements reflect continuing operations only, unless otherwise noted.

The Company’s revenues are currently derived from four principal sources: sales to franchisees and others of chocolates and other confectionery products manufactured by the Company; the collection of initial franchise fees and royalties from franchisees’ sales; sales at Company-owned stores of chocolates and other confectionery products including gourmet caramel apples; and marketing fees.

The Company does not have a material amount of financial assets or liabilities that are required under United States Generally Accepted Accounting Principles ("GAAP") to be measured on a recurring basis at fair value. The Company is not a party to any material derivative financial instruments. The Company does not have a material amount of non-financial assets or non-financial liabilities that are required under GAAP to be measured at fair value on a recurring basis. The Company has not elected to use the fair value measurement option, as permitted under GAAP, for any assets or liabilities for which fair value measurement is not presently required. The Company believes the fair values of cash equivalents, accounts and notes receivable, accounts payable and line of credit approximate their carrying amounts due to their short duration. The note payable approximates fair value due to the interest rates being consistent with market rates

The following table summarizes the number of stores operating under the Rocky Mountain Chocolate Factory brand at February 28, 2025:

	Stores Open at 2/29/2024	Opened	Closed	Sold	Stores Open at 2/28/2025
Rocky Mountain Chocolate Factory					
Company-owned stores	2	-	-	-	2
Franchise stores - Domestic stores and kiosks	149	2	(13)	-	138
International license stores	3	-	-	-	3
Cold Stone Creamery - co-branded	104	4	(1)	-	107
SWRL - co-branded	11	-	(1)	-	10
Total	269				260

Liquidity and Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. In accordance with ASC 205-40, Going Concern, the Company's management has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the accompanying financial statements were issued. During the year ended February 28, 2025, the Company incurred a net loss of $6.1 million and used cash in operating activities of $6.6 million. Although the Company paid off the outstanding debt with Wells Fargo (the "Wells Fargo Credit Agreement") at maturity through the issuance of a $6.0 million note payable, the Company still has incurred losses and used cash from operating activities. The Company was also in default of its covenants on its note payable, however, has received a waiver as of the date of issuance of these financial statements. These factors raise substantial doubts about the Company's ability to continue as a going concern within one year of the date that these consolidated financial statements are issued. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company's ability to continue as a going concern is dependent on its ability to continue to implement its business plan. The Company continues to explore supplemental liquidity sources. During the next twelve months, the Company intends to further reduce overhead costs, improve manufacturing efficiencies, and increase profits and gross margins by better aligning its costs with the delivery and sale to its franchising system and focus customers. In addition, the Company intends to benefit from its historically busy season of holiday product sales while also increasing sales through its e-commerce distribution channel on a year-round basis. There are no assurances that the Company will be successful in implementing its business plan.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements, which include the accounts of the Company and its subsidiaries, have been prepared in conformity with GAAP. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Significant items subject to such estimates and assumptions include the estimate of the reserve for uncollectible accounts, revenue recognition, reserve for inventory obsolescence, and inputs for assessing goodwill impairment. The Company bases its estimates on historical experience and also on assumptions that the Company believes are reasonable. The Company assesses these estimates on a regular basis; however, actual results could materially differ from these estimates.

Asset*s Held for Sale*

The Company classifies an asset as held for sale when management, having the authority to approve the action, commits to a plan to sell the asset, the sale is probable within one year and the asset is available for immediate sale in its present condition. The Company also considers whether an active program to locate a buyer has been initiated, whether the asset is marketed actively for sale at a price that is reasonable in relation to its current fair value and whether actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company initially measures an asset that is classified as held for sale at the lower of its carrying amount or fair value less costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized until the date of sale. The Company assesses the fair value of an asset less costs to sell each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying amount of the asset, as long as the new carrying amount does not exceed the carrying amount of the asset at the time it was initially classified as held for sale. Assets are not depreciated or amortized while they are classified as held for sale.

In the first quarter of fiscal 2025, the Company commenced its plan to sell an unused parcel land in Durango, Colorado where the Company is headquartered. On July 10, 2024, the Company sold its parcel of land in Durango, Colorado for a purchase price of approximately $0.9 million, and recorded a gain of approximately $0.5 million in connection with the sale.

In the first quarter of fiscal 2025, the Company commenced its plan to sell a piece of factory machinery. During the third quarter of fiscal 2025, the Company sold the piece of machinery for $0.7 million. In connection with the sale the Company recorded a loss of $46 thousand. The Company did not have any other assets held for sale as of February 28, 2025.

Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of the balance sheet date, and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

Accounts and Notes Receivable

Accounts receivable represent amounts due from customers in the ordinary course of business and are recorded at the invoiced amount and do not bear interest. Notes receivable generally reflect the sale of assets. Accounts and notes receivable are stated at the net amount expected to be collected, using an estimate of current expected credit losses to determine the allowance for expected credit losses. The Company evaluates the collectability of its accounts and notes receivable and determines the appropriate allowance for expected credit losses based on a combination of factors, including the aging of the receivables and historical collection trends. When the Company is aware of a customer's inability to meet its financial obligation, the Company may individually evaluate the related receivable to determine the allowance for expected credit losses. The Company uses specific criteria to determine uncollectible receivables to be written off, including bankruptcy filings, the referral of customer accounts to outside parties for collection, and the length that accounts remain past due. As of February 28, 2025, the Company had $3.4 million of accounts receivable outstanding, inclusive of an allowance for credit losses of $0.3 million. As of February 29, 2024, the Company had $2.2 million of accounts receivable outstanding, inclusive of an allowance for credit losses of 0.3 million.

On February 28, 2025, the Company had total notes receivable of $0.1 million and an allowance for credit losses of $28 thousand associated with these notes, compared to $1.2 million of notes receivable outstanding and an allowance for credit losses of $30 thousand on February 29, 2024. The notes require monthly payments and bear interest rates at 7.0%. The notes mature through December 2027 and all of the notes receivable are secured by the assets of the location. The Company may experience the failure of its wholesale customers, including its franchisees, to whom it extends credit to pay amounts owed to the Company on time, or at all.

In July 2024, the Company and Isaac Lee Collins, LLC entered into a Promissory Note and Security Assignment and Assumption Agreement (the "Agreement") related to the outstanding U-Swirl promissory note which had an outstanding principal and accrued interest balance of $1.0 million. Pursuant to the terms of the Agreement, the Company irrevocably assigned and transferred to the purchaser all of its right, title, and interest in and to the U-Swirl promissory note and the purchaser agreed to assume the same in consideration of $0.7 million. The Company recorded a loss of $0.2 million in connection with the sale and is included within gain (loss) on disposal of assets on the statements of operations.

Inventories

Inventories are stated at the lower of cost or net realizable value, which is adjusted for obsolete, damaged and excess inventories to the lower of cost or net realizable value based on actual differences. The inventory value is determined through analysis of items held in inventory, and, if the recorded value is higher than the net realizable value, the Company records an expense to reduce inventory to its actual net realizable value. The process by which the Company performs its analysis is conducted on an item by item basis and takes into account, among other relevant factors, net realizable value, sales history and future sales potential. Cost is determined using the first-in, first-out method.

Property and Equipment and Other Assets

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method based upon the estimated useful life of the asset, which ranges from five to thirty-nine years. Leasehold improvements are amortized on the straight-line method over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

The Company reviews its long-lived assets through analysis of estimated fair value, including identifiable intangible assets, whenever events or changes indicate the carrying amount of such assets may not be recoverable.

Income Taxes

The Company provides for income taxes pursuant to the asset and liability method. The asset and liability method requires recognition of deferred income taxes based on temporary differences between financial reporting and income tax basis of assets and liabilities, using current enacted income tax rates and regulations. These differences will result in taxable income or deductions in future years when the reported amount of the asset or liability is recovered or settled, respectively. Considerable judgment is required in determining when these events may occur and whether recovery of an asset, including the utilization of a net operating loss or other carryforward prior to its expiration, is more likely than not. The Company has recorded a deferred tax asset related to historical U-Swirl losses and has determined that these losses are restricted due to a limitation on the deductibility of future losses in accordance with Section 382 of the Internal Revenue Code as a result of the foreclosure transaction. The Company's temporary differences are listed in Note 12.

Gift Card Breakage

The Company and its franchisees sell gift cards that are redeemable for product in stores. The Company manages the gift card program, and therefore collects all funds from the activation of gift cards and reimburses franchisees for the redemption of gift cards in their stores. A liability for unredeemed gift cards is included in current liabilities in our balance sheets.

There are no expiration dates on the Company’s gift cards, and the Company does not charge any service fees. While the Company’s franchisees continue to honor all gift cards presented for payment, the Company may determine the likelihood of redemption to be remote for certain cards due to long periods of inactivity. The Company recognizes breakage from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote (“gift card breakage”). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. Accrued gift card liability was $0.6 million and $0.6 million at February 28, 2025 and February 29, 2024, respectively. The Company recognized no breakage during FY 2025. The Company recognized breakage of $40 thousand during FY 2024.

Goodwill

Goodwill arose primarily from two transaction types. The first type was the purchase of various retail stores, either individually or as a group, for which the purchase price was in excess of the fair value of the assets acquired. The second type was from business acquisitions, where the fair value of the consideration given for acquisition exceeded the fair value of the identified assets net of liabilities.

The Company performs a goodwill impairment test on an annual basis, generally the first day of its fourth quarter, or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. The recoverability of goodwill is evaluated through a comparison of the fair value of each of the Company's reporting units with its carrying value. To the extent that a reporting unit's carrying value exceeds the implied fair value of its goodwill, an impairment loss is recognized. The Company's goodwill is further described in Note 7 to the financial statements.

There have been no impairment charges to goodwill during FY 2025 or FY 2024.

Intangible Assets

Intangible assets represent non-physical assets that create future economic value and are primarily composed of packaging design, store design, trademarks and non-competition agreements. Intangible assets are amortized on a straight line basis over periods ranging from 5 years to 20 years based on the expected future economic value of the intangible asset. Intangible assets are recorded at their cost. The Company performs intangible asset impairment testing on an annual basis or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. The Company's intangible assets are further described in Note 7 to the financial statements.

Insurance and Self-Insurance Reserves

The Company uses a combination of insurance and self-insurance plans to provide for the potential liabilities for workers' compensation, general liability, property insurance, director and officers' liability insurance, vehicle liability and employee health care benefits. Liabilities associated with the risks that are retained by the Company are estimated, in part, by considering historical claims experience, demographic factors, severity factors and other assumptions. While the Company believes that its assumptions are appropriate, the estimated accruals for these liabilities could be significantly affected if future occurrences and claims differ from these assumptions and historical trends.

Sales

The Company has performance obligations to sell products to franchisees and other customers, and revenue is recognized at a point in time. Control is transferred when the order has been shipped to a customer, utilizing a third party, or at the time of delivery when shipped on the Company's trucks. Revenue is measured based on the amount of consideration that is expected to be received by the Company for providing goods or services under a contract with a customer. Sales of products to franchisees and other customers are made at standard prices, without any bargain sales of equipment or supplies. Sales of products at retail stores are recognized at the time of sale.

Rebates

Rebates received from purveyors that supply products to the Company's franchisees are included in franchise royalties and fees. Product rebates are recognized in the period in which they are earned. Rebates related to Company-owned locations are offset against operating costs.

Shipping Fees

Shipping fees charged to customers by the Company's trucking department are reported as sales. Shipping costs incurred by the Company for inventory are reported as cost of sales or inventory.

Franchise and Royalty Fees

The Company recognizes franchise fees over the term of the associated franchise agreement, which is generally a period of 10 years. In addition to the initial franchise fee, the Company currently recognizes a marketing and promotion fee of one percent (1%) of franchised stores' gross retail sales and a royalty fee based on gross retail sales. The Company has the discretion to set its marketing and promotion fees from 0% to 3% with proper notice to franchisees. Franchisees pay a monthly royalty to the Company based on specific criteria established in the applicable franchise agreement.

Use of Estimates

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

Stock-Based Compensation

Under the Company's previous 2007 Equity Incentive Plan (as amended and restated, the "2007 Plan"), the Company could authorize and grant stock awards to employees, non-employee directors and certain other eligible participants, including stock options, restricted stock and restricted stock units. Effective June 2024, the Board authorized 600,000 new shares, along with 300,851 unused and available shares and 131,089 shares granted and outstanding from the 2007 Equity Incentive Plan, to form the 2024 Equity Incentive Plan ("2024 Plan") with a total of 1,031,940 shares. Stock-based compensation expense related to stock awards is measured based on the fair value of the awards granted and recognized as an expense over the requisite service period.

The fair value of each RSU award is based on the fair value of the underlying common stock as of the grant date. Stock-based compensation expense is recognized on a straight-line basis over the requisite service period, generally vested at the grant date or over a period of two to three years.

The Company accounts for forfeitures as they occur.

Related Party Transactions

On December 14, 2022 the Company entered into a Settlement Agreement and Release (the "Settlement Agreement"), by and among the Company, Bradley L. Radoff, an individual ("Radoff"), Andrew T. Berger, an individual, AB Value Partners, LP ("AB Value Partners"), AB Value Management LLC ("AB Value Management" and, together with AB Value Partners, "AB Value" and, together with Radoff, "ABV-Radoff"), and Mary Bradley, an individual, pertaining to, among other things, the dismissal of all pending lawsuits between the parties.

Pursuant to the Settlement Agreement, the Company and ABV-Radoff agreed to a "Standstill Period" commencing on the effective date of the agreement and ending on the date that is forty-five (45) days prior to the beginning of the Company's advance notice period for the nomination of directors at the Company's 2025 annual meeting of stockholders. During the Standstill Period, ABV-Radoff agreed, subject to certain exceptions, other than in Rule 144 open market broker sale transactions where the identity of the purchaser is not known and in underwritten widely dispersed public offerings, not to sell, offer, or agree to sell directly or indirectly, through swap or hedging transactions or otherwise, the securities of the Company or any rights decoupled from the underlying securities of the Company held by ABV-Radoff to any person or entity other than the Company or an affiliate of ABV-Radoff (a "Third Party") that, to the ABV-Radoff's knowledge would result in such Third Party, together with its Affiliates and Associates (as such terms are defined in the Settlement Agreement), owning, controlling, or otherwise having beneficial ownership or other ownership interest in the aggregate of more than 4.9% of the Company's common stock outstanding at such time, or would increase the beneficial ownership or other ownership interest of any Third Party who, together with its Affiliates and Associates, has a beneficial ownership or other ownership interest in the aggregate of more than 4.9% of the shares Common Stock outstanding at such time (such restrictions collectively, the "Lock-Up Restriction").

On August 3, 2023, the Board of Directors of the Company authorized and approved the issuance of a limited waiver (the "Limited Waiver") of the Lock-Up Restriction with regard to a sale by ABV-Radoff of up to 200,000 shares of Common Stock to Global Value Investment Corp. ("GVIC") to be consummated by August 7, 2023. Jeffrey Geygan, the Company's Chairman of the Board and current Interim CEO of the Company, was the previous chief executive officer and principal of GVIC at the time of the transaction. Other than as waived by the Limited Waiver, the Settlement Agreement remains in full force and effect and the rights and obligations under the Settlement Agreement of each of the parties remain unchanged.

On November 26, 2024, the Company entered into a letter agreement with GVIC. The negotiation of the Agreement was overseen by an ad hoc committee of disinterested directors of the Company. Jeffrey R. Geygan was not a member of that committee. The Agreement provides that GVIC will have the right to designate one individual to the Board of Directors. In addition, the Company will cooperate in good faith with GVIC to mutually agree upon one additional individual to serve as an independent director on the Board. For the period from the effective date of the Agreement continuing through the day that is 15 days prior to the deadline for submission of stockholder proposals for the Company's 2027 annual meeting of stockholders, the Board will have no more than seven members. Also, if at any time GVIC no longer beneficially owns shares of the Company's common stock representing in the aggregate more than 10 percent of the Company's common stock then-outstanding, then its designated Board member will promptly offer to resign from the Board. The Company reimbursed GVIC for $0.1 million of legal fees associated with executing the agreement.

Earnings Per Share

Basic earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding during each year. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock options and restricted stock units.

The weighted-average number of shares outstanding used in the computation of diluted earnings per share does not include outstanding common shares issuable if their effect would be anti-dilutive. During the year ended February 28, 2025, 235,664 shares of common stock that were issuable upon the vesting of restricted stock units were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. During the year ended February 29, 2024, 960,677 shares of common stock that were issuable upon exercise of warrants, 160,958 shares of common stock that were issuable upon the vesting of restricted stock units, and 17,698 shares of common stock that were issuable upon the exercise of options were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

Advertising and Promotional Expenses

The Company expenses advertising costs as incurred. Total advertising expenses amounted to $0.7 million and $0.7 million for the years ended February 28, 2025 and February 29, 2024, respectively.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade and notes receivables, accounts payables, line of credit, and its note payable. The fair value of all instruments approximates the carrying value, because of the relatively short maturity of these instruments. The note payable approximates fair value due to the interest rates being consistent with market rates. All of the Company's financial instruments are classified as level 1 and level 2 assets within the fair value hierarchy. The Company does not have any financial instruments classified as level 3 assets.

Recently Adopted Accounting Pronouncements

Except for the recent accounting pronouncements described below, other recent accounting pronouncements are not expected to have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 enhances the disclosures required for operating segments in the Company's annual and interim consolidated financial statements. The disclosures required under ASU 2023-07 are also required for public entities with a single reportable segment. The updates in this ASU are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company adopted this ASU for its annual report for the fiscal period ending February 28, 2025 and the previously reported segment disclosures have been recast to reflect the new presentation under ASU 2023-07 guidance.

New Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The updates in this ASU are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

Subsequent Events

The Company was not in compliance with the liabilities to tangible net worth of 2.0:1.0 covenant as of the end of the Company's first fiscal quarter, for which a waiver was received.

NOTE 2 – SUPPLEMENTAL CASH FLOW INFORMATION

For the two years ended February 28 or 29:

($'s in thousands) Cash paid (received) for:	2025	2024
Interest	$ 454	$ 25
Income taxes	88	(299)
Supplemental disclosure of non-cash operating activities:		
Inventory accrued but not yet paid	$ 297	$ -
Supplemental disclosure of non-cash investing activities:		
Sale of assets in exchange for note receivable	-	1,000

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue from contracts with its customers in accordance with Accounting Standards Codification® ("ASC") 606, which provides that revenues are recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. The Company generally receives a fee associated with the franchise agreement or license agreement (collectively "Customer Contracts") at the time that the Customer Contract is entered. These Customer Contracts have a term of up to 20 years, however the majority of Customer Contracts have a term of 10 years. During the term of the Customer Contract, the Company is obligated to many performance obligations that the Company has not determined are distinct. The resulting treatment of revenue from Customer Contracts is that the revenue is recognized proportionately over the life of the Customer Contract.

Initial Franchise Fees, License Fees, Transfer Fees and Renewal Fees

The initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement and are treated as a single performance obligation. Initial franchise fees are being recognized as the Company satisfies the performance obligation over the term of the franchise agreement, which is generally 10 years.

The following table summarizes contract liabilities as of February 28, 2025 and February 29, 2024:

	Twelve Months Ended February 28 or 29:	
($'s in thousands)	2025	2024
Contract liabilities at the beginning of the year:	$ 829	$ 943
Revenue recognized	(188)	(168)
Contract fees received	102	54
Contract liabilities at the end of the year:	$ 743	$ 829

At February 28, 2025, annual revenue expected to be recognized in the future, related to performance obligations that are not yet fully satisfied, are estimated to be the following (amounts in thousands):

2026	$ 139
2027	126
2028	102
2029	81
2030	71
Thereafter	224
Total	$ 743

Gift Cards

The Company's franchisees sell gift cards, which do not have expiration dates or non-usage fees. The proceeds from the sale of gift cards by the franchisees are accumulated by the Company and paid out to the franchisees upon customer redemption. ASC 606 requires the use of the "proportionate" method for recognizing breakage. The Company recognizes breakage from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. The Company recognized no breakage revenue during FY 2025 and breakage revenue of $40 thousand during FY 2024.

Durango Product Sales of Confectionery Items, Retail Sales and Royalty and Marketing Fees

Durango Products Sales are those sold from the Company's factory in Durango Colorado. Retail sales include products sold in the retail store locations. Confectionery items sold to the Company's franchisees, others and its Company-owned stores' sales are recognized at the time of the underlying sale, based on the terms of the sale and when ownership of the inventory is transferred, and are presented net of sales taxes and discounts. Royalties and marketing fees from franchised or licensed locations, which are based on a percent of sales are recognized at the time the sales occur.

NOTE 4 – DISAGGREGATION OF REVENUE

The following tables present disaggregated revenue by the method of recognition and segment:

For the Year Ended February 28, 2025

Revenues recognized over time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 188	-	$ -	$ 188

Revenues recognized at a point in time:

($'s in thousands)				
Durango Product sales	$ -	$ 22,549	$ -	$ 22,549
Retail sales	-	-	1,466	1,466
Royalty and marketing fees	5,376	-	-	5,376
Total revenues recognized over time and point in time	$ 5,564	$ 22,549	$ 1,466	$ 29,579

For the Year Ended February 29, 2024

Revenues recognized over time:

($'s in thousands)	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 168	$ -	$ -	$ 168

Revenues recognized at a point in time:

($'s in thousands)				
Durango Product sales	$ -	$ 20,703	$ -	$ 20,703
Retail sales	-	-	1,319	1,319
Royalty and marketing fees	5,761	-	-	5,761
Total revenues recognized over time and point in time	$ 5,929	$ 20,703	$ 1,319	$ 27,951

NOTE 5 – INVENTORIES

Inventories consist of the following at February 28 or 29:

($'s in thousands)	2025	2024
Ingredients and supplies	$ 2,864	$ 2,038
Finished candy	2,277	2,509
Reserve for slow moving inventory	(511)	(189)
Total inventories	$ 4,630	$ 4,358

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at February 28 or 29:

($'s in thousands)	2025	2024
Land	$ 124	$ 514
Building	5,415	5,109
Machinery and equipment	14,904	12,509
Furniture and fixtures	519	590
Leasehold improvements	136	139
Transportation equipment	326	326
	21,424	19,187
Less accumulated depreciation	(12,015)	(11,429)
Property and equipment, net	$ 9,409	$ 7,758

Depreciation expense related to property and equipment totaled $0.9 million and $0.9 million during the fiscal years ended February 28, 2025 and February 29, 2024, respectively.

NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following at February 28 or 29:

($'s in thousands)	Amortization Period (in Years)	2025 Gross Carrying Value	2025 Accumulated Amortization	2024 Gross Carrying Value	2024 Accumulated Amortization
Intangible assets subject to amortization					
Store design	10	$ 395	$ (295)	$ 395	$ (277)
Trademark/Non-competition agreements	5 - 20	259	(149)	259	(139)
Total		654	(444)	654	(416)
Goodwill and intangible assets not subject to amortization					
Goodwill					
Retail		$ 362		$ 362	
Franchising		97		97	
Manufacturing		97		97	
Trademark		20		20	
Total		576		576	
Total Goodwill and Intangible Assets		$ 1,230	$ (444)	$ 1,230	$ (416)

There was no change to goodwill during the fiscal years ended February 28, 2025 and February 29, 2024.

Amortization expense related to intangible assets totaled $27 thousand and $28 thousand during the fiscal years ended February 28, 2025 and February 29, 2024, respectively.

At February 28, 2025, annual amortization of intangible assets, based upon the Company's existing intangible assets and current useful lives, is estimated to be the following (amounts in thousands):

2026	$ 27
2027	27
2028	27
2029	27
2030	27
Thereafter	75
Total	$ 210

NOTE 8 – NOTE PAYABLE

On September 30, 2024, the Company entered into a new credit agreement (the "Credit Agreement") with a new lender, RMC Credit Facility, LLC ("RMC"). RMC is a related party of the Company as a member of the Company's board of directors was involved and an investor with the Credit Agreement. Pursuant to the Credit Agreement, the Company received an advance in the principal amount of $6.0 million, which advance is evidence by a promissory note (the "Note"). The Note matures on September 30, 2027 (the "Maturity Date"), and interest will accrue at a rate of 12% per annum and is payable monthly in arrears. All outstanding principal and interest will be due on the Maturity Date. The Credit Agreement is collateralized by the Company's Durango real estate property and the related inventory and property, plant and equipment located on that property, as well as the Company's accounts receivable and cash accounts.

In connection with the Credit Agreement, the Company entered into a Deed of Trust with RMC and the Public Trustee of La Plata County, Colorado with respect to the Company's property in Durango, Colorado.

The proceeds of the Credit Agreement were used as follows: (i) $3.5 million was used to repay the Wells Fargo Credit Agreement and (ii) the remaining balance was used for continued capital investment and working capital needs. The Credit Agreement contains customary events of default, including nonpayment of principal and interest when due, failure to comply with covenants, and a change of control of the Company, as well as customary affirmative and negative covenants, including, without limitation, certain reporting obligations and certain limitations on liens, encumbrances, and indebtedness. The Credit Agreement also limits capital expenditures to $3.5 million per year and contains two financial covenants measured quarterly: a maximum ratio of total liabilities to total net worth and a minimum current ratio. The Company incurred $0.1 million of loan origination fees, included as a debt discount and reduction of the notes payable on the balance sheet.

As of February 28, 2025, the Company had $6.0 million outstanding on the Credit Agreement. Interest on the outstanding amount was paid through February 28, 2025. The Company was not in compliance with the requirement under the Credit Agreement to limit annual capital expenditures to $3.5 million as of February 28, 2025, nor was the Company in compliance with the liabilities to tangible net worth of 2.0:1.0 as of February 28, 2025. The Company has received a waiver from the Lender as of the date of issuance of these financial statements and is in compliance with all other aspects of the Credit Agreement. In connection with the Credit Agreement, the Company repaid the outstanding balance of the previous Wells Fargo Credit Agreement of $3.5 million on its maturity date on September 30, 2024.

NOTE 9 – COMMON STOCK

Securities Purchase Agreement

On August 5, 2024, the Company entered into securities purchase agreements with Steven L. Craig, an existing director of the Company and American Heritage Railways, Inc. a company affiliated with Allen C. Harper who joined the board of directors in December 2024 (the "Investors"), pursuant to which, among other things, the Investors agreed to subscribe for and purchase, and the Company agreed to issue and sell to the Investors, an aggregate of 1,250,000 of shares of the Company's common stock at a price per share equal to $1.75, for total proceeds of approximately $2.2 million. On September 5, 2024, the shares were subsequently registered for resale on a form S-1 that was declared effective by the SEC on October 9, 2024.

Stock Compensation Plans

Under the Company's previous 2007 Equity Incentive Plan, the Company may authorize and grant stock awards to employees, non-employee directors and certain other eligible participants, including stock options, restricted stock and restricted stock units. Effective June 2024, the Board authorized 600,000 new shares, along with 300,851 unused and available shares and 131,089 shares granted and outstanding from the 2007 Plan, to form the 2024 Plan with a total of 1,031,940 shares. As of February 28, 2025, 656,465 shares were available for issuance.

The following table summarizes non-vested restricted stock unit activity for common stock during the years ended February 28 or 29, 2025 and 2024:

	Twelve Months Ended February 28 or 29:	
	2025	2024
Outstanding non-vested restricted stock units at beginning of year:	160,958	154,131
Granted	502,880	157,145
Vested	(166,147)	(48,890)
Cancelled/forfeited	(262,027)	(101,428)
Outstanding non-vested restricted stock units as of February 28 or 29:	235,664	160,958
Weighted average grant date fair value	$ 2.52	$ 5.59
Weighted average remaining vesting period (in years)	1.27	1.94

Total unrecognized stock-based compensation expense for non-vested restricted stock units was approximately $0.4 million, and is expected to be recognized over the next 1.3 years.

The following table summarized stock option activity during the years ended February 28 or 29, 2025 and 2024:

	Twelve Months Ended February 28 or 29:	
	2025	2024
Outstanding stock options at beginning of year:	17,698	36,144
Granted	-	-
Exercised	-	-
Cancelled/forfeited	(17,698)	(18,446)
Outstanding stock options as of February 28 or 29:	-	17,698
Weighted average exercise price	$ -	$ 6.49
Weighted average remaining contractual term (in years)	-	8.26

During the year ended February 28, 2025, the Company issued a total of 502,880 restricted stock units, inclusive of the 2024 Plan and non-plan awards, which are subject to vesting over time. These issuances were made to certain of the Company's executives. These restricted stock units were issued with an aggregate grant date fair value of $1.4 million or $2.88 per share.

During the year ended February 29, 2024, the Company issued a total of 157,145 restricted stock units, inclusive of the 2007 Plan and non-plan awards, of which 95,151 restricted stock units are subject to vesting based on the achievement of Company performance goals and 61,994 restricted stock units that vest over time. These issuances were made to certain of the Company's executives. These restricted stock units were issued with an aggregate grant date fair value of $0.9 million or $5.59 per share. The performance-based restricted stock units will vest following the end of the Company’s fiscal year ending February 2026 with respect to the target number of performance-based restricted stock units if the Company achieves metrics related to return on equity, Specialty Market gross margin, average unit volume, and social media engagement lifetime value during the performance period, subject to continued service through the end of the performance period. The performance-based restricted stock units may vest from 75% to 110% of target units based upon actual performance. The time-based restricted stock units vest 33% annually on the anniversary date of the award until August 11, 2026.

The Company recognized $0.3 million and $0.4 million of stock-based compensation expense during the years ended February 28, 2025 and February 29, 2024, respectively. Compensation costs related to stock-based compensation are generally amortized over the vesting period of the stock awards.

Except as noted above, restricted stock units generally vest at the grant date or over a period of two to three years. During the years ended February 28 and 29, 2025 and 2024, restricted stock units which vested and common stock shares issued was 166,147 and 48,890, respectively.

Warrants

In connection with a terminated supplier agreement with a former customer of the Company, the Company issued a warrant (the "Warrant") to purchase up to 960,677 shares of the Company's common stock (the "Warrant Shares") at an exercise price of $8.76 per share in 2019. The Warrant Shares were to vest in annual tranches in varying amounts following each contract year under the terminated supplier agreement, and was subject to, and only upon, achievement of certain revenue thresholds on an annual or cumulative five-year basis in connection with its performance under the terminated supplier agreement. The Warrant was to expire six months after the final and conclusive determination of revenue thresholds for the fifth contract year and the cumulative revenue determination in accordance with the terms of the Warrant.

On November 1, 2022, the Company sent a formal notice to the former customer terminating the agreement. As of February 28, 2025, no Warrant Shares had vested and the Company has no remaining material obligations under the Warrant. The warrant expired during the year ended February 28, 2025.

The Company determined that the grant date fair value of the Warrant was de minimis and did not record any amount in consideration of the warrants. The Company utilized a Monte Carlo model for purposes of determining the grant date fair value.

NOTE 10 – LEASING ARRANGEMENTS

The Company conducts its retail operations in facilities leased under non-cancelable operating leases of up to ten years. Certain leases contain renewal options for between five and ten additional years at increased monthly rentals. Some of the leases provide for contingent rentals based on sales in excess of predetermined base levels.

The Company acts as primary lessee of two franchised store premises, which the Company then subleases to franchisees, but the majority of existing franchised locations are leased by the franchisee directly.

In some instances, the Company has leased space for its Company-owned locations that are now occupied by franchisees. When the Company-owned location was sold or transferred, the store was subleased to the franchisee who is responsible for the monthly rent and other obligations under the lease.

The Company also leases trucking equipment and warehouse space in support of its production operations. Expense associated with trucking and warehouse leases is included in cost of sales on the consolidated statements of operations.

The Company accounts for payments related to lease liabilities on a straight-line basis over the lease term. During the years ended February 28 or 29, 2025 and 2024, lease expense recognized in the consolidated statements of operations was $0.5 million and $0.6 million, respectively.

The lease liability reflects the present value of the Company's estimated future minimum lease payments over the life of its leases. This includes known escalations and renewal option periods reasonably assured of being exercised. Typically, renewal options are considered reasonably assured of being exercised if the sales performance of the location remains strong. Therefore, the right of use asset and lease liability include an assumption on renewal options that have not yet been exercised by the Company and are not currently a future obligation. The Company has separated non-lease components from lease components in the recognition of the Asset and Liability except in instances where such costs were not practical to separate. To the extent that occupancy costs, such as site maintenance, are included in the asset and liability, the impact is immaterial. For franchised locations, the related occupancy costs including property taxes, insurance and site maintenance are generally required to be paid by the franchisees as part of the

franchise arrangement. In addition, the Company is the lessee under non-store related leases such as storage facilities and trucking equipment. For leases where the implicit rate is not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease. The weighted average discount rate used for operating leases was 3.9% and 3.9% as of February 28, 2025 and February 29, 2024, respectively. The total estimated future minimum lease payments is $1.4 million as of February 28, 2025.

As of February 28, 2025, maturities of lease liabilities for the Company's operating leases were as follows (amounts in thousands):

FYE 26	$	498
FYE 27		287
FYE 28		137
FYE 29		105
FYE 30		51
Thereafter		305
Total	$	1,383
Less: Imputed interest		(125)
Present value of lease liabilities:	$	1,258

The weighted average lease term at February 28 or 29, 2025 and 2024 was 5.8 years.

The following is a schedule of cash paid for lease liabilities for the two years ended February 28 or 29:

($'s in thousands)	2025	2024
Cash paid for amounts included in the measurement of lease liabilities	514	544

The Company did not enter into any new leases during the year ended February 28, 2025. During the year ended February 29, 2024, the Company entered into new leases representing a future lease liability of $0.1 million.

The Company did not have any leases categorized as finance leases as of February 28, 2025 or February 29, 2024.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Purchase contracts

The Company frequently enters into purchase contracts of between six to twelve months for chocolate and certain nuts. These contracts permit the Company to purchase the specified commodity at a fixed price on an as-needed basis during the term of the contract. Because prices for these products may fluctuate, the Company may benefit if prices rise during the terms of these contracts, but it may be required to pay above-market prices if prices fall and it is unable to renegotiate the terms of the contract. As of February 28, 2025, the Company was contracted for approximately $2.3 million of raw materials under such agreements. The Company has designated these contracts as normal under the normal purchase and sale exception under the accounting standards for derivatives. These contracts are not entered into for speculative purposes.

Litigation

From time to time, the Company is involved in litigation relating to claims arising out of its operations. The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. As of February 28, 2025, the Company is involved in the early stages of a legal dispute regarding fulfillment of the agreement to sell franchise rights and intangible assets in connection with the sale of U-Swirl (see Note 15). The Company does not expect this to have a material impact on the business or financial condition. The Company is not a party to any other legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on its business, financial condition or operating results.

NOTE 12 – INCOME TAXES

Income tax expense (benefit) is comprised of the following for the years ended February 28 or 29:

($'s in thousands)	2025	2024
Current		
Federal	$ —	$ —
State	—	—
Total Current	—	—
Deferred		
Federal	—	—
State	—	—
Total Deferred	—	—
Total	$ —	$ —

A reconciliation of the statutory federal income tax rate and the effective rate as a percentage of pretax income is as follows for the years ended February 28 or 29:

	2025	2024
Statutory rate	21.0%	21.0%
State income taxes, net of federal benefit	0.0%	0.0%
Work opportunity tax credits	0.0%	0.0%
Equity compensation tax expense	0.0%	0.0%
Compensation and benefits permanent differences	(0.1)%	(0.2)%
Other	(0.1)%	1.6%
Valuation allowance	(20.8)%	(22.4)%
Effective tax rate	0.0%	(0.0)%

During FY 2025 and FY 2024, the Company's effective tax rate was zero. This was primarily the result of losses reported in the year, no income taxes due, and full valuation allowance against deferred tax assets.

The components of deferred income taxes as of February 28 or 29 are as follows:

($'s in thousands)	2025	2024
Deferred Tax Assets		
Allowance for doubtful accounts and notes	$ 83	$ 170
Inventories	127	31
Accrued compensation	105	438
Loss provisions and deferred income	347	304
Self-insurance accrual	—	28
Interest & other	30	15
Restructuring charges	100	99
Right of use liabilities	313	480
Accumulated net losses	5,223	3,577
Valuation allowance	(4,208)	(3,106)
Net deferred tax assets	$ 2,120	$ 2,036
Deferred Tax Liabilities		
Depreciation and amortization	(1,727)	(1,450)
Right of use assets	(309)	(480)
Prepaid expenses	(84)	(106)
Deferred Tax Liabilities	(2,120)	(2,036)
Net deferred tax assets	$ -	$ -

The following table summarizes deferred income tax valuation allowances as of February 28 or 29:

($'s in thousands)	2025	2024
Valuation allowance at beginning of period	$ 3,106	$ 1,721
Tax expense realized by valuation allowance	1,102	1,385
Valuation allowance at end of period	$ 4,208	$ 3,106

The Company files income tax returns in the U.S. federal and various state taxing jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state tax examinations in its major tax jurisdictions for periods before FY 2020.

Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income, in the appropriate tax jurisdictions, in future years, to obtain benefit from the reversal of net deductible temporary differences. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed. A valuation allowance to reduce the carrying amount of deferred income tax assets is established when it is more likely than not that we will not realize some portion or all of the tax benefit of our deferred income tax assets. The Company evaluates, on a quarterly basis, whether it is more likely than not that our deferred income tax assets are realizable based upon recent past financial performance, tax reporting positions, and expectations of future taxable income. The determination of deferred tax assets is subject to estimates and assumptions. The Company periodically evaluates our deferred tax assets to determine if our assumptions and estimates should change**.** As of February 28, 2025 and February 29, 2024, the Company had a full valuation allowance against its deferred tax assets.

The Company accounts for uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the consolidated financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. As such, the Company is required to make judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax law and regulations change over time and may result in changes to the Company's judgments which can materially affect

amounts recognized in the balance sheets and statements of operations. The result of the assessment of the Company's tax positions did not have an impact on the consolidated financial statements for the years ended February 28 or 29, 2025 or 2024. The Company does not have any significant unrecognized tax benefits and does not anticipate a significant increase or decrease in unrecognized tax benefits within the next twelve months. Amounts are recognized for income tax related interest and penalties as a component of general and administrative expense in the statement of income and are immaterial for the years ended February 28 or 29, 2025 and 2024.

The Company's subsidiary, SWRL, along with its previous subsidiary U-Swirl, had a history of net operating losses prior to the company's acquisition of them and thus the Company has a related net operating loss carry forward. In accordance with Section 382 of the Internal Revenue Code, deductibility of SWRL's and U-Swirl's Federal net operating loss carryovers may be subject to annual limitation in the event of a change in control. The Company has performed a preliminary evaluation as to whether a change in control has taken place, and has concluded that there was a change of control with respect to the net operating losses of U-Swirl when the Company acquired its controlling ownership interest. The initial limitations will continue to limit deductibility of SWRL's and U-Swirl's net operating loss carryovers, but the annual loss limitation will be deductible to RMCF and U-Swirl upon the filing of joint tax returns in FY 2017 and future years.

The Company estimates the potential future tax deductions of U-Swirl's Federal net operating losses, limited by section 382, to be approximately $1.8 million with a resulting deferred tax asset of approximately $0.4 million. U-Swirl's Federal net operating loss carryovers will expire at various dates beginning in 2026.

Income tax provision allocated to continuing operations and discontinued operations for the years ended February 28 or 29, 2025 and 2024 was as follows:

($'s in thousands)	2025	2024
Continuing operations	$ —	$ —
Discontinued operations	$ —	—
Total tax provision	$ —	$ —

NOTE 13 – EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan called the Rocky Mountain Chocolate Factory, Inc. 401(k) Plan. Eligible participants are permitted to make contributions up to statutory limits. The Company makes a matching contribution, which vests ratably over a 3-year period, and is 25% of the employee's contribution up to a maximum of 1.5% of the employee's compensation. During the years ended February 28 or 29, 2025 and 2024, the Company's contribution to the plan was approximately $0.1 million and $0.1 million, respectively.

NOTE 14 – OPERATING SEGMENTS

The Company classifies its business interests into three reportable segments: Rocky Mountain Chocolate Factory, Inc. Franchising, Manufacturing, Retail Stores, and Unallocated, which is the basis upon which the Company's Chief Operating Decision Maker (CODM), the interim chief executive officer, evaluates the Company's performance. The CODM uses the segment information in the annual planning process and considers actual versus plan variances in evaluating the performance of the segments. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to these consolidated financial statements. The Company evaluates performance and allocates resources based on the segment operating profit or loss, which excludes unallocated corporate general and administrative costs and income tax expense or benefit. The Company's reportable segments are strategic businesses that utilize common information systems and corporate administration. All inter-segment sales prices are market based. Each segment is managed separately because of the differences in required infrastructure and the differences in products and services:

FY 2025 ($'s in thousands)	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 5,564	$ 23,572	$ 1,466	$ -	$ 30,602
Intersegment revenues	-	(1,023)	-	-	(1,023)
Revenue from external customers	5,564	22,549	1,466	-	29,579
Costs and Expenses					
Cost of Sales	-	23,463	453	-	23,916
Labor costs	2,483	-	433	2,250	5,166
Operating expenses	1,338	-	283	545	2,166
Professional fees	403	-	-	2,335	2,738
Other general & administrative expenses	185	-	-	1,175	1,360
	4,409	23,463	1,169	6,305	35,346
Depreciation and amortization, exclusive of depreciation and amortization expense of $775 included in cost of sales (manufacturing segment)	50	-	13	112	175
Total costs and expenses	4,459	23,463	1,182	6,417	35,521
Segment profit (loss)	1,105	(914)	284	(6,417)	(5,942)
Other income (expense)					
Interest expense	-	-	-	(454)	(454)
Interest income	-	-	-	27	27
Gain (loss) on sale of assets	-	-	-	247	247
Other income (expense), net	-	-	-	(180)	(180)
Loss before income taxes	1,105	(914)	284	(6,597)	(6,122)
Income tax provision	-	-	-	-	-
Earnings (loss) from continuing operations	1,105	(914)	284	(6,597)	(6,122)
Earnings (loss) from discontinued operations, net of tax	-	-	-	-	-
Consolidated net loss	1,105	(914)	284	(6,597)	(6,122)
Other Segment Disclosures					
Total assets	2,213	14,867	803	3,292	21,175
Capital expenditures	16	2,543	7	1,196	3,762

FY 2024 ($'s in thousands)	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 5,928	$ 21,833	$ 1,319	$ -	$ 29,080
Intersegment revenues	-	(1,129)	-	-	(1,129)
Revenue from external customers	5,928	20,704	1,319	-	27,951
Costs and Expenses					
Cost of Sales	-	20,200	456	-	20,656
Labor costs	1,947	-	337	3,373	5,657
Operating expenses	1,732	-	335	599	2,666
Professional fees	714	-	-	1,675	2,389
Other general & administrative expenses	321	-	-	1,026	1,347
	4,714	20,200	1,128	6,673	32,715
Depreciation and amortization, exclusive of depreciation and amortization expense of $750 included in cost of sales (manufacturing segment)	32	6	8	92	138
Total costs and expenses	4,746	20,206	1,136	6,765	32,853
Segment profit (loss)	1,182	498	183	(6,765)	(4,902)
Other income (expense)					
Interest expense	-	-	-	(53)	(53)
Interest income	-	-	-	79	79
Gain (loss) on sale of assets	-	-	-	-	-
Other income (expense), net	-	-	-	26	26
Loss before income taxes	1,182	498	183	(6,739)	(4,876)
Income tax provision	-	-	-	-	-
Earnings (loss) from continuing operations	1,182	498	183	(6,739)	(4,876)
Earnings from discontinued operations, net of tax	-	-	-	704	704
Consolidated net loss	1,182	498	183	(6,035)	(4,172)
Other Segment Disclosures					
Total assets	1,255	11,989	510	6,823	20,577
Capital expenditures	135	2,297	42	543	3,017

NOTE 15 – DISCONTINUED OPERATIONS

On February 24, 2023 and May 1, 2023, the Company entered into agreements to sell: 1) all operating assets and inventory associated with the Company's three U-Swirl Company-owned locations, and 2) all franchise rights and intangible assets associated with the franchise operations of U-Swirl, respectively. The May 1, 2023 sale was completed pursuant to an Asset Purchase Agreement (the "Asset Purchase Agreement"), dated May 1, 2023, by and among the Company, as guarantor, U Swirl as seller, LLC ("Purchaser"), a related company of Fosters Freeze, Inc., a California corporation. Pursuant to the Asset Purchase Agreement, on the closing date, Purchaser paid to U-Swirl $2.75 million, consisting of approximately (i) $1.75 million in cash and (ii) $1.0 million evidenced by a three-year secured promissory note in the aggregate original principal amount of $1.0 million. As a result of these asset sales,

the activities of the Company's subsidiary, U-Swirl, which were previously recorded to the U-Swirl operating segment are reported as discontinued operations in the consolidated statement of operations, consolidated balance sheet and consolidated statement of cash flows for all periods presented. The majority of the assets and liabilities of U-Swirl met the accounting criteria to be classified as held for sale and were aggregated and reported on separate lines of the respective statements.

On October 31, 2023, the Company filed a certificate of dissolution with the Secretary of State of the State of Nevada with respect to U-Swirl. As a result, U-Swirl is effectively fully dissolved and no longer in legal existence.

The following table discloses the results of operations of the businesses reported as discontinued operations for the years ended February 28 or 29, 2025 and 2024, respectively (amounts in thousands):

	FOR THE YEARS ENDED FEBRUARY 28 or 29,	
($'s in thousands)	2025	2024
Total Revenue	$ —	$ 212
Cost of sales	—	—
Operating Expenses	—	143
Gain on disposal of assets	—	(635)
Other expense, net	—	—
Earnings from discontinued operations before income taxes	—	704
Income tax provision	—	—
Earnings (loss) from discontinued operations, net of tax	$ —	$ 704

There were no assets or liabilities held for sale for U-Swirl as of February 28 or 29, 2025 and 2024, respectively:

The following table summarizes the gain recognized during the year ended February 28, 2025 related to the sale of assets on May 1, 2023, as described above (amounts in thousands):

Cash proceeds from the sale of assets	$ 1,749
Accounts receivable	9
Notes receivable	1,000
Total consideration received	2,758
Assets and liabilities transferred	
Franchise rights	1,703
Inventory	6
Liabilities	(229)
Net assets transferred	1,480
Costs associated with the sale of assets	643
Gain on disposal of assets	$ 635

Independent Auditor's Acknowledgement

We agree to the inclusion in the Franchise Disclosure Document dated July 25, 2025 issued by Rocky Mountain Chocolate Factory, Inc. (the "Franchisor") of our report dated June 20, 2025, relating to the consolidated financial statements of the Franchisor as of February 28, 2025 and February 29, 2024 and for the fiscal years then ended.

Greg Glater

Los Angeles, California
July 25, 2025

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Rocky Mountain Chocolate Factory, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheet of Rocky Mountain Chocolate Factory, Inc. (the "Company") as of February 29, 2024, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the fiscal year then ended, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 29, 2024, and the results of its operations and its cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's ability to continue as a Going Concern
The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As disclosed in Note 1 to the financial statements, the Company has incurred recurring losses and negative cash flows from operations in recent years and is dependent on debt financing to fund its operations, all of which raise substantial doubt about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters
Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ CohnReznick LLP

We have served as the Company's auditor since 2023.

New York, New York
June 13, 2024

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Rocky Mountain Chocolate Factory, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Rocky Mountain Chocolate Factory, Inc. (the "Company") as of February 28, 2023, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended February 28, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 28, 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended February 28, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PLANTE & MORAN, PLLC

We served as the Company's auditor from 2004 to 2023.

Cleveland, Ohio
May 30, 2023

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED FEBRUARY 29 or 28,		
	2024	2023	2022
Revenues			
Sales	$ 22,022,310	$ 24,456,910	$ 23,534,470
Franchise and royalty fees	5,928,377	5,975,442	5,954,078
Total Revenue	27,950,687	30,432,352	29,488,548
Costs and Expenses			
Cost of sales	20,655,629	20,455,373	18,610,739
Franchise costs	2,582,371	1,825,783	1,914,944
Sales and marketing	2,131,734	2,060,215	1,474,807
General and administrative	6,673,929	10,325,633	7,456,314
Retail operating	671,487	537,482	606,889
Depreciation and amortization, exclusive of depreciation and amortization expense of $749,606, $646,394, and $620,798, respectively, included in cost of sales	137,693	118,869	119,377
Total costs and expenses	32,852,843	35,323,355	30,183,070
Loss from Operations	(4,902,156)	(4,891,003)	(694,522)
Other Income (Expense)			
Interest expense	(53,397)	(10,431)	-
Interest income	79,836	26,921	10,870
Gain on insurance recovery	-	-	167,123
Other income, net	26,439	16,490	177,993
Loss Before Income Taxes	(4,875,717)	(4,874,513)	(516,529)
Income Tax Provision (Benefit)	-	613,843	(16,812)
Loss from Continuing Operations	(4,875,717)	(5,488,356)	(499,717)
Earnings (loss) from discontinued operations, net of tax	703,834	(192,422)	158,020
Net Loss	$ (4,171,883)	$ (5,680,778)	$ (341,697)
Basic Loss per Common Share			
Loss from continuing operations	$ (0.77)	$ (0.88)	$ (0.08)
Earnings (loss) from discontinued operations	0.11	(0.03)	0.02
Net loss	$ (0.66)	$ (0.91)	$ (0.06)
Diluted Loss per Common Share			
Loss from continuing operations	$ (0.77)	$ (0.88)	$ (0.08)
Earnings (loss) from discontinued operations	0.11	(0.03)	$ 0.02
Net loss	$ (0.66)	$ (0.91)	$ (0.06)
Weighted Average Common Shares Outstanding - Basic	6,294,411	6,226,279	6,140,687
Dilutive Effect of Employee Stock Awards	-	-	-
Weighted Average Common Shares Outstanding - Diluted	6,294,411	6,226,279	6,140,687

The accompanying notes are an integral part of these consolidated financial statements.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	AS OF FEBRUARY 29 or 28,	
	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 2,082,014	$ 4,717,068
Accounts receivable, less allowance for credit losses of $331,902 and $666,315, respectively	2,183,685	2,055,694
Notes receivable, current portion, less current portion of the allowance for credit losses of $29,886 and $35,173, respectively	489,245	23,698
Refundable income taxes	45,969	344,885
Inventories	4,358,401	3,639,780
Other	443,336	340,847
Current assets held for sale	-	83,004
Total current assets	9,602,650	11,204,976
Property and Equipment, Net	7,757,655	5,710,739
Other Assets		
Notes receivable, less current portion and allowance for credit losses of $0 and $38,778, respectively	695,432	94,076
Goodwill	575,608	575,608
Intangible assets, net	237,897	265,927
Lease right of use asset	1,693,970	2,355,601
Other	14,006	14,054
Long-term assets held for sale	-	1,765,846
Total other assets	3,216,913	5,071,112
Total Assets	$ 20,577,218	$ 21,986,827
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 3,409,892	$ 2,189,760
Line of credit	1,250,000	-
Accrued salaries and wages	1,832,851	978,606
Gift card liabilities	624,335	592,932
Other accrued expenses	300,862	162,346
Contract liabilities	150,494	161,137
Lease liability	503,362	746,506
Current liabilities held for sale	-	178,939
Total current liabilities	8,071,796	5,010,226
Lease Liability, Less Current Portion	1,191,109	1,640,017
Contract Liabilities, Less Current Portion	678,154	782,278
Long-term liabilities - held for sale	-	184,142
Total Liabilities	9,941,059	7,616,663
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, $.001 par value per share; 250,000 authorized; 0 shares issued and outstanding	-	-
Common stock, $.001 par value, 46,000,000 shares authorized, 6,310,543 shares and 6,257,137 shares issued and outstanding, respectively	6,306	6,257
Additional paid-in capital	9,895,704	9,457,875
Retained earnings	734,149	4,906,032
Total stockholders' equity	10,636,159	14,370,164
Total Liabilities and Stockholders' Equity	$ 20,577,218	$ 21,986,827

The accompanying notes are an integral part of these consolidated financial statements.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Convertible Preferred Stock		Common Stock		Additional Paid-In	Retained	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Equity
Balances as of February 28, 2021	**—**	**$ -**	**6,074,293**	**$ 6,074**	**$7,971,712**	**$10,989,783**	**$ 18,967,569**
Issuance of common stock, vesting of restricted stock units and other, net of shares withheld	—	—	9,000	9	46,601	—	46,610
Equity compensation, restricted stock units, net of shares withheld	—	—	103,063	103	788,617	—	788,720
Net loss attributable to RMCF stockholders	—	—	—	—	—	(341,697)	(341,697)
Redemption of outstanding preferred stock purchase rights	—	—	—	—	—	(61,276)	(61,276)
Balances as of February 28, 2022	**—**	**$ -**	**6,186,356**	**$ 6,186**	**$8,806,930**	**$10,586,810**	**$ 19,399,926**
Equity compensation, restricted stock units, net of shares withheld	—	—	70,781	71	650,945	—	651,016
Net loss attributable to RMCF stockholders	—	—	—	—	—	(5,680,778)	(5,680,778)
Balances as of February 28, 2023	**—**	**$ -**	**6,257,137**	**$ 6,257**	**$9,457,875**	**$ 4,906,032**	**$ 14,370,164**
Equity compensation, restricted stock units, net of shares withheld	—	—	48,890	49	437,829	—	437,878
Net loss attributable to RMCF stockholders	—	—	—	—	—	(4,171,883)	(4,171,883)
Balances as of February 29, 2024		**$ -**	**6,306,027**	**$ 6,306**	**$9,895,704**	**$ 734,149**	**$ 10,636,159**

The accompanying notes are an integral part of these consolidated financial statements.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED FEBRUARY 29 or 28,		
	2024	2023	2022
Cash Flows From Operating Activities			
Net Loss	$ (4,171,883)	$ (5,680,778)	$ (341,697)
Less: Net Income (Loss) from discontinued operations, net of tax	703,834	(192,422)	158,020
Net Loss from continuing operations	(4,875,717)	(5,488,356)	(499,717)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	887,299	765,263	740,175
Provision for obsolete inventory	188,786	732,499	384,473
Provision for loss (recovery) on accounts and notes receivable	(402,117)	(277,000)	-
Asset impairment and store closure losses	—	84,183	-
Loss (gain) on sale or disposal of property and equipment	(37,002)	11,958	(159,129)
Expense recorded for stock compensation	437,829	651,016	1,073,115
Deferred income taxes	—	722,163	(267,576)
Changes in operating assets and liabilities:			
Accounts receivable	227,053	82,050	46,311
Refundable income taxes	298,916	391,643	37,999
Inventories	(878,771)	(70,069)	(581,433)
Other current assets	(101,466)	(7,246)	(122,647)
Accounts payable	974,769	661,111	200,557
Accrued liabilities	999,483	(1,163,216)	1,332,993
Contract liabilities	(114,767)	5,384	26,321
Net cash (used in) provided by operating activities of continuing operations	(2,395,705)	(2,898,617)	2,211,442
Net cash provided by (used in) operating activities of discontinued operations	(39,242)	796,126	646,712
Net cash (used in) provided by operating activities	(2,434,947)	(2,102,491)	2,858,154
Cash Flows from Investing Activities			
Addition to notes receivable	(135,955)	(64,621)	-
Proceeds received on notes receivable	163,989	62,411	109,809
Proceeds from insurance recovery	-	-	206,336
Proceeds from the sale or distribution of assets	112,131	27,289	2,693
Purchases of property and equipment	(3,017,473)	(1,000,015)	(941,327)
Other	9,463	10,000	(10,000)
Net cash used in investing activities of continuing operations	(2,867,845)	(964,936)	(632,489)
Net cash provided by investing activities of discontinued operations	1,417,738	197,121	27,491
Net cash used in investing activities	(1,450,107)	(767,815)	(604,998)
Cash Flows from Financing Activities			
Repurchase of common stock through net settlement of restricted stock units	-	-	(237,785)
Proceeds from line of credit	1,250,000	-	-
Dividends paid and redemption of outstanding preferred stock purchase rights	-	-	(61,276)
Net cash (used in) provided by financing activities of discontinued operations	-	-	-
Net cash provided by (used in) financing activities	1,250,000	-	(299,061)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,635,054)	(2,870,306)	1,954,095
Cash and Cash Equivalents, Beginning of Year	4,717,068	7,587,374	5,633,279
Cash and Cash Equivalents, End of Year	$ 2,082,014	$ 4,717,068	$ 7,587,374

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The accompanying consolidated financial statements include the accounts of Rocky Mountain Chocolate Factory, Inc., a Delaware corporation, its wholly-owned subsidiaries, Rocky Mountain Chocolate Factory, Inc. (a Colorado corporation), Aspen Leaf Yogurt, LLC ("ALY"), U-Swirl International, Inc. (dissolved in October 2023) ("U-Swirl"), and U-Swirl, Inc. ("SWRL") (collectively, the "Company", "we", "RMCF").

The Company is an international franchisor, confectionery manufacturer and retail operator. Founded in 1981, the Company is headquartered in Durango, Colorado and manufactures an extensive line of premium chocolate candies and other confectionery products ("Durango Products"). The Company also sells its candy in select locations outside of its system of retail stores.

On February 24, 2023 the Company entered into an agreement to sell its three Company-owned U-Swirl locations. Separately, on May 1, 2023, subsequent to the 2023 fiscal year end, the Company entered into an agreement to sell its franchise rights and intangible assets related to U-Swirl and associated brands. As a result, the activities of the Company's U-Swirl subsidiary that have historically been reported in the U-Swirl segment have been reported as discontinued operations. See Note 17 – Discontinued Operations in the Notes to Consolidated Financial Statements for additional information regarding the Company's discontinued operations, including net sales, operating earnings and total assets by segment. The Company's financial statements reflect continuing operations only, unless otherwise noted.

The Company's revenues are currently derived from three principal sources: sales to franchisees and others of chocolates and other confectionery products manufactured by the Company; the collection of initial franchise fees and royalties from franchisees' sales; sales at Company-owned stores of chocolates and other confectionery products including gourmet caramel apples; and marketing fees.

The Company does not have a material amount of financial assets or liabilities that are required under U.S. GAAP to be measured on a recurring basis at fair value. The Company is not a party to any material derivative financial instruments. The Company does not have a material amount of non-financial assets or non-financial liabilities that are required under U.S. GAAP to be measured at fair value on a recurring basis. The Company has not elected to use the fair value measurement option, as permitted under U.S. GAAP, for any assets or liabilities for which fair value measurement is not presently required. The Company believes the fair values of cash equivalents, accounts and notes receivable, accounts payable and line of credit approximate their carrying amounts due to their short duration.

The following table summarizes the number of stores operating under the Rocky Mountain Chocolate Factory brand at February 29, 2024:

	Stores Open at 2/28/2023	Opened	Closed	Sold	Stores Open at 2/29/2024
Rocky Mountain Chocolate Factory					
Company-owned stores	1	1	-	-	2
Franchise stores - Domestic stores and kiosks	153	5	(9)	-	149
International license stores	4	-	(1)	-	3
Cold Stone Creamery - co-branded	101	4	(1)	-	104
U-Swirl - co-branded	10	1	-	-	11
Total	269				269

Liquidity and Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. In accordance with ASC 205-40, Going Concern, the Company's management has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to

continue as a going concern within one year after the date the accompanying financial statements were issued. During the year ended February 29, 2024, the Company incurred a net loss of $4.2 million and used cash in operating activities of $2.4 million. Additionally, the Company was not in compliance with the requirement under a credit agreement, as amended (the "Credit Agreement"), with Wells Fargo Bank N.A. (the "Lender") to maintain a ratio of total current assets to total current liabilities of at least 1.5 to 1. The Company's current ratio as of February 29, 2024 was 1.19 to 1. The Company requested and received a waiver from the Lender as of the date the financial statements were available to be issued. The Credit Agreement is set to expire on September 30, 2024. These factors raise substantial doubts about the Company's ability to continue as a going concern within one year of the date that these consolidated financial statements are issued. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company's ability to continue as a going concern is dependent on its ability to continue to implement its business plan. The Company is exploring various means of strengthening its liquidity position and ensuring compliance with its debt financing covenants, which may include the obtaining of waivers from the Lender and/or, amending its Credit Line facility. The Company is also exploring supplemental debt facilities for other operational activities. During the next twelve months the Company intends to sell an unused parcel of land near its headquarters, cut overhead for manufacturing, and increase profits and gross margins through increasing chocolate price sales to its franchising system and Specialty Market customers. In addition, the Company intends to benefit from busy season of holiday product sales and add a CFO to its management teams during the next twelve months. In the event the Company is unable to generate profits, positive cash flow, and implement its business plan, it may have to curtail its business further and no longer continue as a going concern.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements, which include the accounts of the Company and its subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Significant items subject to such estimates and assumptions include the estimate of the reserve for uncollectible accounts, revenue recognition, reserve for inventory obsolescence, and inputs for assessing goodwill impairment. The Company bases its estimates on historical experience and also on assumptions that the Company believes are reasonable. The Company assesses these estimates on a regular basis; however, actual results could materially differ from these estimates.

Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of the balance sheet date, and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

Accounts and Notes Receivable

Accounts receivable represent amounts due from customers in the ordinary course of business and are recorded at the invoiced amount and do not bear interest. Notes receivable generally reflect the sale of assets. Accounts and notes receivable are stated at the net amount expected to be collected, using an estimate of current expected credit losses to determine the allowance for expected credit losses. The Company evaluates the collectability of its accounts and notes receivable and determines the appropriate allowance for expected credit losses based on a combination of factors, including the aging of the receivables and historical collection trends. When the Company is aware of a customer's

inability to meet its financial obligation, the Company may individually evaluate the related receivable to determine the allowance for expected credit losses. The Company uses specific criteria to determine uncollectible receivables to be written off, including bankruptcy filings, the referral of customer accounts to outside parties for collection, and the length that accounts remain past due. As of February 29, 2024, the Company had $2,183,685 of accounts receivable outstanding, inclusive of an allowance for credit losses of $331,902. As of February 29, 2023, the Company had $2,055,694 of accounts receivable outstanding, inclusive of an allowance for credit losses of $666,315.

On February 29, 2024, the Company had total notes receivable of $1,184,677, of which $1,000,000 relates to the U-Swirl note. The U-Swirl note is a three-year secured promissory note in the aggregate original principal amount of $1,000,000. Payment is due May 1, 2026. The remaining balance of notes receivable includes $214,563 of notes receivable outstanding and an allowance for credit losses of $29,886 associated with these notes, compared to $191,725 of notes receivable outstanding and an allowance for credit losses of $73,951 on February 28, 2023. The notes require monthly payments and bear interest rates ranging from 4.5% to 7.0%. The notes mature through December 2027 and all of the notes receivable are secured by the assets of the location. The Company may experience the failure of its wholesale customers, including its franchisees, to whom it extends credit to pay amounts owed to the Company on time, or at all.

Inventories

Inventories are stated at the lower of cost or net realizable value, which is adjusted for obsolete, damaged and excess inventories to the lower of cost or net realizable value based on actual differences. The inventory value is determined through analysis of items held in inventory, and, if the recorded value is higher than the net realizable value, the Company records an expense to reduce inventory to its actual net realizable value. The process by which the Company performs its analysis is conducted on an item by item basis and takes into account, among other relevant factors, net realizable value, sales history and future sales potential. Cost is determined using the first-in, first-out method.

Property and Equipment and Other Assets

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method based upon the estimated useful life of the asset, which ranges from five to thirty-nine years. Leasehold improvements are amortized on the straight-line method over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

The Company reviews its long-lived assets through analysis of estimated fair value, including identifiable intangible assets, whenever events or changes indicate the carrying amount of such assets may not be recoverable.

Income Taxes

The Company provides for income taxes pursuant to the asset and liability method. The asset and liability method requires recognition of deferred income taxes based on temporary differences between financial reporting and income tax basis of assets and liabilities, using current enacted income tax rates and regulations. These differences will result in taxable income or deductions in future years when the reported amount of the asset or liability is recovered or settled, respectively. Considerable judgment is required in determining when these events may occur and whether recovery of an asset, including the utilization of a net operating loss or other carryforward prior to its expiration, is more likely than not. The Company has recorded a deferred tax asset related to historical U-Swirl losses and has determined that these losses are restricted due to a limitation on the deductibility of future losses in accordance with Section 382 of the Internal Revenue Code as a result of the foreclosure transaction. The Company's temporary differences are listed in Note 13.

Gift Card Breakage

The Company and its franchisees sell gift cards that are redeemable for product in stores. The Company manages the gift card program, and therefore collects all funds from the activation of gift cards and reimburses franchisees for the

redemption of gift cards in their stores. A liability for unredeemed gift cards is included in current liabilities in our balance sheets.

There are no expiration dates on the Company's gift cards, and the Company does not charge any service fees. While the Company's franchisees continue to honor all gift cards presented for payment, the Company may determine the likelihood of redemption to be remote for certain cards due to long periods of inactivity. The Company recognizes breakage from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. Accrued gift card liability was $624,335 and $592,932 at February 29, 2024 and February 28, 2023, respectively. The Company recognized breakage of $40,218 and $59,754 during FY 2024 and FY 2023, respectively.

Goodwill

Goodwill arose primarily from two transaction types. The first type was the purchase of various retail stores, either individually or as a group, for which the purchase price was in excess of the fair value of the assets acquired. The second type was from business acquisitions, where the fair value of the consideration given for acquisition exceeded the fair value of the identified assets net of liabilities.

The Company performs a goodwill impairment test on an annual basis, generally the first day of its fourth quarter, or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. The recoverability of goodwill is evaluated through a comparison of the fair value of each of the Company's reporting units with its carrying value. To the extent that a reporting unit's carrying value exceeds the implied fair value of its goodwill, an impairment loss is recognized. The Company's goodwill is further described in Note 7 to the financial statements.

During FY 2023, the Company recorded $84,183 of impairment of goodwill associated with its retail segment, and included within general and administrative expense on the Consolidated Statements of Operations. There were no similar impairment charges during FY 2024 or FY 2022.

Intangible Assets

Intangible assets represent non-physical assets that create future economic value and are primarily composed of packaging design, store design, trademarks and non-competition agreements. Intangible assets are amortized on a straight line basis over periods ranging from 5 years to 20 years based on the expected future economic value of the intangible asset. Intangible assets are recorded at their cost. The Company performs intangible asset impairment testing on an annual basis or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. The Company's intangible assets are further described in Note 7 to the financial statements.

Insurance and Self-Insurance Reserves

The Company uses a combination of insurance and self-insurance plans to provide for the potential liabilities for workers' compensation, general liability, property insurance, director and officers' liability insurance, vehicle liability and employee health care benefits. Liabilities associated with the risks that are retained by the Company are estimated, in part, by considering historical claims experience, demographic factors, severity factors and other assumptions. While the Company believes that its assumptions are appropriate, the estimated accruals for these liabilities could be significantly affected if future occurrences and claims differ from these assumptions and historical trends.

Sales

The Company has performance obligations to sell products to franchisees and other customers, and revenue is recognized at a point in time. Control is transferred when the order has been shipped to a customer, utilizing a third party, or at the time of delivery when shipped on the Company's trucks. Revenue is measured based on the amount of

consideration that is expected to be received by the Company for providing goods or services under a contract with a customer. Sales of products to franchisees and other customers are made at standard prices, without any bargain sales of equipment or supplies. Sales of products at retail stores are recognized at the time of sale.

Rebates

Rebates received from purveyors that supply products to the Company's franchisees are included in franchise royalties and fees. Product rebates are recognized in the period in which they are earned. Rebates related to Company-owned locations are offset against operating costs.

Shipping Fees

Shipping fees charged to customers by the Company's trucking department are reported as sales. Shipping costs incurred by the Company for inventory are reported as cost of sales or inventory.

Franchise and Royalty Fees

The Company recognizes franchise fees over the term of the associated franchise agreement, which is generally a period of 10 years. In addition to the initial franchise fee, the Company also recognizes a marketing and promotion fee of one percent (1%) of franchised stores' gross retail sales and a royalty fee based on gross retail sales. The Company recognizes no royalty on franchised stores' retail sales of products purchased from the Company's manufacturing facility and recognizes a ten percent (10%) royalty on all other sales of product made in store and sold at franchise locations.

Use of Estimates

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

Stock-Based Compensation

In FY 2021, stockholders approved an amendment and restatement of the 2007 Equity Incentive Plan (as amended and restated, the "2007 Plan"). The 2007 Plan allows awards of stock options, stock appreciation rights, stock awards, restricted stock and stock units, performance shares and performance units, and other stock- or cash-based awards. Stock-based compensation expense related to stock awards is measured based on the fair value of the awards granted and recognized as an expense over the requisite service period.

The fair value of each RSU award is based on the fair value of the underlying common stock as of the grant date. Stock-based compensation expense is recognized on a straight-line basis over the requisite service period, generally five to six years.

The Company accounts for forfeitures as they occur.

Related Party Transactions

On December 14, 2022 the Company entered into a Settlement Agreement and Release (the "Settlement Agreement"), by and among the Company, Bradley L. Radoff, an individual ("Radoff"), Andrew T. Berger, an individual, AB Value Partners, LP ("AB Value Partners"), AB Value Management LLC ("AB Value Management" and, together with AB Value Partners, "AB Value" and, together with Radoff, "ABV-Radoff"), and Mary Bradley, an individual, pertaining to, among other things, the dismissal of all pending lawsuits between the parties.

Pursuant to the Settlement Agreement, the Company and ABV-Radoff agreed to a "Standstill Period" commencing on the effective date of the agreement and ending on the date that is forty-five (45) days prior to the beginning of the Company's advance notice period for the nomination of directors at the Company's 2025 annual meeting of stockholders. During the Standstill Period, ABV-Radoff agreed, subject to certain exceptions, other than in Rule 144 open market broker sale transactions where the identity of the purchaser is not known and in underwritten widely dispersed public offerings, not to sell, offer, or agree to sell directly or indirectly, through swap or hedging transactions or otherwise, the securities of the Company or any rights decoupled from the underlying securities of the Company held by ABV-Radoff to any person or entity other than the Company or an affiliate of ABV-Radoff (a "Third Party") that, to the ABV-Radoff's knowledge would result in such Third Party, together with its Affiliates and Associates (as such terms are defined in the Settlement Agreement), owning, controlling, or otherwise having beneficial ownership or other ownership interest in the aggregate of more than 4.9% of the Company's common stock outstanding at such time, or would increase the beneficial ownership or other ownership interest of any Third Party who, together with its Affiliates and Associates, has a beneficial ownership or other ownership interest in the aggregate of more than 4.9% of the shares Common Stock outstanding at such time (such restrictions collectively, the "Lock-Up Restriction").

On August 3, 2023, the Board of Directors of the Company authorized and approved the issuance of a limited waiver (the "Limited Waiver") of the Lock-Up Restriction with regard to a sale by ABV-Radoff of up to 200,000 shares of Common Stock to Global Value Investment Corp. ("GVIC") to be consummated by August 7, 2023. Jeffrey Geygan, the Company's Chairman of the Board and current Interim CEO of the Company, is the chief executive officer and a principal of GVIC. Other than as waived by the Limited Waiver, the Settlement Agreement remains in full force and effect and the rights and obligations under the Settlement Agreement of each of the parties remain unchanged.

Earnings Per Share

Basic earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding during each year. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock options and restricted stock units.

The weighted-average number of shares outstanding used in the computation of diluted earnings per share does not include outstanding common shares issuable if their effect would be anti-dilutive. During the year ended February 29, 2024, 960,677 shares of common stock that were issuable upon exercise of warrants, 160,958 shares of common stock that were issuable upon the vesting of restricted stock units, and 17,698 shares of common stock that were issuable upon the exercise of options were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. During the year ended February 28, 2023, 960,677 shares of common stock that were issuable upon exercise of warrants, 137,294 shares of common stock that were issuable upon the vesting of restricted stock units, and 36,144 shares of common stock that were issuable upon the exercise of options were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive. During the year ended February 28, 2022, 960,677 shares of common stock reserved for issuance upon the exercise of warrants and 147,422 shares of common stock that were issuable upon the vesting of restricted stock units were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

Advertising and Promotional Expenses

The Company expenses advertising costs as incurred. Total advertising expenses amounted to $701,214, $577,984, and $210,103 for the fiscal years ended February 29 or 28, 2024, 2023 and 2022, respectively.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade and notes receivables, accounts payables, and its line of credit. The fair value of all instruments approximates the carrying value, because of the relatively short maturity of these instruments. All of the Company's financial instruments are classified as level 1 and level 2 assets within the fair value hierarchy. The Company does not have any financial instruments classified as level 3 assets.

Recently Adopted Accounting Pronouncements

Except for the recent accounting pronouncements described below, other recent accounting pronouncements are not expected to have a material impact on the Company's consolidated financial statements.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 significantly changes the impairment model for most financial assets and certain other instruments. ASU 2016-13 will require immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, which will generally result in earlier recognition of allowances for credit losses on loans and other financial instruments and affect the carrying value of accounts receivable. The Company adopted ASU 2016-13 effective March 1, 2023. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 enhances the disclosures required for operating segments in the Company's annual and interim consolidated financial statements. The disclosures required under ASU 2023-07 are also required for public entities with a single reportable segment. The updates in this ASU are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The updates in this ASU are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

Subsequent Events

Management evaluated all activity of the Company through the issue date of the financial statements and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

NOTE 2 - SUPPLEMENTAL CASH FLOW INFORMATION

For the three years ended February 29 or 28:

Cash paid (received) for:	2024	2023	2022
Interest	$ 25,127	$ 25,000	$ 5,202
Income taxes	(298,895)	(547,763)	240,890
Supplemental disclosure of non-cash investing activities:			
Sale of assets in exchange for note receivable	$ 1,000,000	$ -	$ -

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue from contracts with its customers in accordance with Accounting Standards Codification® ("ASC") 606, which provides that revenues are recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. The Company generally receives a fee associated with the franchise agreement or license agreement (collectively "Customer Contracts") at the time that the Customer Contract is entered. These Customer Contracts have a term of up to 20 years, however the majority of Customer Contracts have a term of 10 years. During the term of the Customer Contract, the Company is obligated to many performance obligations that the Company has not determined

are distinct. The resulting treatment of revenue from Customer Contracts is that the revenue is recognized proportionately over the life of the Customer Contract.

Initial Franchise Fees, License Fees, Transfer Fees and Renewal Fees

The initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement, and are treated as a single performance obligation. Initial franchise fees are being recognized as the Company satisfies the performance obligation over the term of the franchise agreement, which is generally 10 years.

The following table summarizes contract liabilities as of February 29, 2024 and February 28, 2023:

	Twelve Months Ended February 29 or 28:	
	2024	2023
Contract liabilities at the beginning of the year:	$ 943,415	$ 962,572
Revenue recognized	(167,767)	(204,657)
Contract fees received	53,000	185,500
Contract liabilities at the end of the year:	$ 828,648	$ 943,415

At February 29, 2024, annual revenue expected to be recognized in the future, related to performance obligations that are not yet fully satisfied, are estimated to be the following:

2025	$ 150,494
2026	135,223
2027	112,137
2028	103,775
2029	66,653
Thereafter	260,366
Total	$ 828,648

Gift Cards

The Company's franchisees sell gift cards, which do not have expiration dates or non-usage fees. The proceeds from the sale of gift cards by the franchisees are accumulated by the Company and paid out to the franchisees upon customer redemption. ASC 606 requires the use of the "proportionate" method for recognizing breakage. The Company recognizes breakage from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. The Company recognized breakage of $40,218 and $59,754 during FY 2024 and FY 2023, respectively

Durango Product Sales of Confectionary Items, Retail Sales and Royalty and Marketing Fees

Confectionary items sold to the Company's franchisees, others and its Company-owned stores' sales are recognized at the time of the underlying sale, based on the terms of the sale and when ownership of the inventory is transferred, and are presented net of sales taxes and discounts. Royalties and marketing fees from franchised or licensed locations, which are based on a percent of sales are recognized at the time the sales occur.

NOTE 4 – DISAGGREGATION OF REVENUE

The following table presents disaggregated revenue by the method of recognition and segment:

For the Year Ended February 29, 2024

Revenues recognized over time:

	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 167,767	-	$ -	$ 167,767

Revenues recognized at a point in time:

Durango Product sales	$ -	$ 20,703,409	$ -	$ 20,703,409
Retail sales	-	-	1,318,901	1,318,901
Royalty and marketing fees	5,760,610	-	-	5,760,610
Total revenues recognized over time and point in time	$ 5,928,377	$ 20,703,409	$ 1,318,901	$ 27,950,687

For the Year Ended February 28, 2023

Revenues recognized over time:

	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 204,657	$ -	$ -	$ 204,657

Revenues recognized at a point in time:

Durango Product sales	$ -	$ 23,372,133	$ -	$ 23,372,133
Retail sales	-	-	1,084,777	1,084,777
Royalty and marketing fees	5,770,785	-	-	5,770,785
Total revenues recognized over time and point in time	$ 5,975,442	$ 23,372,133	$ 1,084,777	$ 30,432,352

For the Year Ended February 28, 2022

Revenues recognized over time:

	Franchising	Manufacturing	Retail	Total
Franchise fees	$ 179,678	$ -	$ -	$ 179,678

Revenues recognized at a point in time:

Durango Product sales	$ -	$ 22,374,175	$ -	$ 22,374,175
Retail sales	-	-	1,160,295	1,160,295
Royalty and marketing fees	5,774,400	-	-	5,774,400
Total revenues recognized over time and point in time	$ 5,954,078	$ 22,374,175	$ 1,160,295	$ 29,488,548

NOTE 5 - INVENTORIES

Inventories consist of the following at February 29 or 28:

	2024	2023
Ingredients and supplies	$ 2,037,727	$ 2,481,510
Finished candy	2,509,460	1,567,887
Reserve for slow moving inventory	(188,786)	(409,617)
Total inventories	$ 4,358,401	$ 3,639,780

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at February 29 or 28:

	2024	2023
Land	$ 513,618	$ 513,618
Building	5,108,950	5,151,886
Machinery and equipment	12,508,888	10,152,211
Furniture and fixtures	590,679	512,172
Leasehold improvements	138,515	134,010
Transportation equipment	325,979	476,376
	19,186,629	16,940,273
Less accumulated depreciation	(11,428,974)	(11,229,534)
Property and equipment, net	$ 7,757,655	$ 5,710,739

Depreciation expense related to property and equipment totaled $859,269, $736,358, and $710,804, during the fiscal years ended February 29 or 28, 2024, 2023 and 2022, respectively.

NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following at February 29 or 28:

		2024		2023	
	Amortization Period (in Years)	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Intangible assets subject to amortization					
Store design	10	$ 394,826	$ 277,344	$ 394,826	$ 259,314
Trademark/Non-competition agreements	5 - 20	259,339	138,924	259,339	128,924
Total		654,165	416,268	654,165	388,238
Goodwill and intangible assets not subject to amortization					
Goodwill					
Retail		$ 360,972		$ 360,972	
Franchising		97,318		97,318	
Manufacturing		97,318		97,318	
Trademark		20,000		20,000	
Total		575,608		575,608	
Total Goodwill and Intangible Assets		$ 1,229,773	$ 416,268	$ 1,229,773	$ 388,238

There was no change to goodwill during the fiscal year ended February 29, 2024. Changes to goodwill during the fiscal year ended February 28, 2023 consisted of the following:

	Retail Segment
Balance as of February 28, 2022	$ 515,065
Impairment losses	(84,183)
Goodwill written off related to sales of Company-owned stores	(69,910)
Balance as of February 29, 2023	$ 360,972

Amortization expense related to intangible assets totaled $28,030, $28,905, and $29,371 during the fiscal years ended February 29 or 28, 2024, 2023 and 2022, respectively.

At February 29, 2024, annual amortization of intangible assets, based upon the Company's existing intangible assets and current useful lives, is estimated to be the following:

2025	$ 27,405
2026	27,405
2027	27,405
2028	27,405
2029	27,405
Thereafter	100,872
Total	$ 237,897

NOTE 8 –NOTES PAYABLE AND REVOLVING CREDIT LINE

Revolving Credit Line

As of February 29, 2024, the Company had a $4.0 million credit line for general corporate and working capital purposes, of which $2.75 million was available for borrowing (subject to certain borrowing base limitations). The Company drew down $1.25 million on the credit line during the year ended February 29, 2024. Per the Credit Agreement, the maturity date is September 30, 2024, at which point the full amount outstanding is due. The credit line is secured by substantially all of the Company's assets, except retail store assets. Interest on borrowings is at the Secured Overnight Financing Rate plus 2.37% (7.69% at February 29, 2024 and 6.92% at February 28, 2023). Additionally, the line of credit is subject to various financial ratio and leverage covenants.

As of February 29, 2024, the Company was not in compliance with the requirement under the Credit Agreement to maintain a ratio of total assets to total current liabilities of at least 1.5 to 1. The Company's current ratio as of February 29, 2024 was 1.19 to 1. The Company has received a waiver from the Lender as of the date of issuance of these financial statements. The Company in compliance, however, with all other aspects of the Credit Agreement. Refer to Note 1 for further information.

NOTE 9 - STOCK COMPENSATION PLANS

In FY 2021, stockholders approved an amendment and restatement of the 2007 Equity Incentive Plan (as amended and restated, the "2007 Plan"). The 2007 Plan allows awards of stock options, stock appreciation rights, stock awards, restricted stock and stock units, performance shares and performance units, and other stock- or cash-based awards. As of February 29, 2024, total shares authorized under the 2007 Plan was 985,340, and 183,974 shares were available for issuance.

Information with respect to restricted stock unit awards outstanding under the 2007 Plan at February 29, 2024, and changes for the three years then ended was as follows:

	Twelve Months Ended February 29 or 28:		
	2024	2023	2022
Outstanding non-vested restricted stock units at beginning of year:	154,131	105,978	209,450
Granted	157,145	129,092	26,058
Vested	(48,890)	(70,782)	(127,130)
Cancelled/forfeited	(101,428)	(10,157)	(2,400)
Outstanding non-vested restricted stock units as of February 29 or 28:	160,958	154,131	105,978
Weighted average grant date fair value	$ 5.59	$ 5.23	$ 9.33
Weighted average remaining vesting period (in years)	1.94	1.73	2.26

The Company also issued 19,591 restricted stock units outside of the 2007 Plan, of which 7,393 had service vesting conditions and 12,198 had performance vesting conditions, further discussed below. The grant date fair value of the non plan awards was $4.86 per share.

Information with respect to stock option awards outstanding under the 2007 Plan at February 29, 2024, and changes for the three years then ended was as follows:

	Twelve Months Ended February 29 or 28:		
	2024	2023	2022
Outstanding stock options at beginning of year:	36,144	-	-
Granted	-	36,144	-
Exercised	-	-	-
Cancelled/forfeited	(18,446)	-	-
Outstanding stock options as of February 29 or 28:	17,698	36,144	-
Weighted average exercise price	$ 6.49	$ 6.49	n/a
Weighted average remaining contractual term (in years)	8.26	9.26	n/a

During the year ended February 29, 2024, the Company issued a total of 157,145 restricted stock units, inclusive of the 2007 Plan and non plan awards, of which 95,151 restricted stock units are subject to vesting based on the achievement of company performance goals and 61,994 restricted stock units that vest over time. These issuances were made to certain of the Company's executives. These restricted stock units were issued with an aggregate grant date fair value of $877,838 or $5.59 per share. The performance-based restricted stock units will vest following the end of the Company's fiscal year ending February 2026 with respect to the target number of performance-based restricted stock units if the Company achieves metrics related to return on equity, Specialty Market gross margin, average unit volume, and social media engagement lifetime value during the performance period, subject to continued service through the end of the performance period. The performance-based restricted stock units may vest from 75% to 110% of target units based upon actual performance. The time-based restricted stock units vest 33% annually on the anniversary date of the award until August 11, 2026.

During the year ended February 28, 2023, the Company issued 36,144 stock options and issued 94,892 performance-based restricted stock units subject to vesting based on the achievement of performance goals. These issuances were made to certain of the Company's executives. The stock options were issued with an aggregate grant date fair value of $77,267 or $2.14 per share. The performance-based restricted stock units were issued with an aggregate grant date fair value of $298,582 or $6.29 per share, based upon a target issuance of 47,446 shares of common stock. The stock options granted vest with respect to one-third of the shares on the last day of the Company's current fiscal year ending February 29, 2024, and vest as to remaining shares in equal quarterly increments on the last day of each quarter until the final vesting on February 28, 2025. The performance-based restricted stock units will vest following the end of the Company's fiscal year ending February 2025 with respect to the target number of performance-based restricted stock units if the Company achieves an annualized total shareholder return of 12.5% during the performance period, subject to continued service through the end of the performance period. The Compensation Committee of the Board of Directors has discretion to determine the number of performance-based restricted stock units between 0-200% of the target number that will vest based on achievement of performance below or above the target performance goal.

The Company recognized $437,829 and $651,016 of stock-based compensation expense during the years ended February 29 and 28, 2024 and 2023, respectively. Compensation costs related to stock-based compensation are generally amortized over the vesting period of the stock awards. Refer to Note 16 for further discussion of the equity impact of the prior CEO termination.

Except as noted above, restricted stock units generally vest in equal annual installments over a period of five to six years. During the year ended February 29 and 28, 2024 and 2023, restricted stock units vested and issued as 48,890 and 70,781 shares of common stock, respectively. Total unrecognized compensation expense of non-vested, non-forfeited restricted stock units and stock options granted as of February 29, 2024 was $408,275, which is expected to be recognized over the weighted-average period of 1.9 years. Total unrecognized compensation expense of non-forfeited, performance vesting, restricted stock units as of February 28, 2023 was $628,966, which is expected to be recognized over the weighted-average period of 1.7 years.

NOTE 10 – LEASING ARRANGEMENTS

The Company conducts its retail operations in facilities leased under non-cancelable operating leases of up to ten years. Certain leases contain renewal options for between five and ten additional years at increased monthly rentals. Some of the leases provide for contingent rentals based on sales in excess of predetermined base levels.

The Company acts as primary lessee of some franchised store premises, which the Company then subleases to franchisees, but the majority of existing franchised locations are leased by the franchisee directly.

In some instances, the Company has leased space for its Company-owned locations that are now occupied by franchisees. When the Company-owned location was sold or transferred, the store was subleased to the franchisee who is responsible for the monthly rent and other obligations under the lease.

The Company also leases trucking equipment and warehouse space in support of its production operations. Expense associated with trucking and warehouse leases is included in cost of sales on the consolidated statements of operations.

The Company accounts for payments related to lease liabilities on a straight-line basis over the lease term. During the years ended February 29 or 28, 2024 and 2023, lease expense recognized in the consolidated statements of operations was $599,853 and $565,046, respectively.

The lease liability reflects the present value of the Company's estimated future minimum lease payments over the life of its leases. This includes known escalations and renewal option periods reasonably assured of being exercised. Typically, renewal options are considered reasonably assured of being exercised if the sales performance of the location remains strong. Therefore, the right of use asset and lease liability include an assumption on renewal options that have not yet been exercised by the Company and are not currently a future obligation. The Company has separated non-lease components from lease components in the recognition of the Asset and Liability except in instances where

such costs were not practical to separate. To the extent that occupancy costs, such as site maintenance, are included in the asset and liability, the impact is immaterial. For franchised locations, the related occupancy costs including property taxes, insurance and site maintenance are generally required to be paid by the franchisees as part of the franchise arrangement. In addition, the Company is the lessee under non-store related leases such as storage facilities and trucking equipment. For leases where the implicit rate is not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease. The weighted average discount rate used for operating leases was 3.9%, 3.4%, and 3.1% as of February 29 or 28, 2024, 2023 and 2022, respectively. The total estimated future minimum lease payments is $1.9 million as of February 29, 2024.

As of February 29, 2024, maturities of lease liabilities for the Company's operating leases were as follows:

FYE 25	$ 514,169
FYE 26	496,466
FYE 27	284,667
FYE 28	135,010
FYE 29	103,198
Thereafter	341,130
Total	$ 1,874,640
Less: Imputed interest	(180,169)
Present value of lease liabilities:	$ 1,694,471

The weighted average lease term at February 29 or 28, 2024, 2023, and 2022 was 5.8 years, 5.5 years and 6.7 years, respectively.

The following is a schedule of cash paid for lease liabilities for the three years ended February 29 or 28:

	2024	2023	2022
Cash paid for amounts included in the measurement of lease liabilities	543,543	572,079	563,264

During the years ended February 29 or 28, 2024, 2023, and 2022 the Company entered into new leases representing a future lease liability of $56,012, $1,472,667, and $588,475, respectively.

The Company did not have any leases categorized as finance leases as of February 29, 2024 or February 28, 2023.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Purchase contracts

The Company frequently enters into purchase contracts of between six to eighteen months for chocolate and certain nuts. These contracts permit the Company to purchase the specified commodity at a fixed price on an as-needed basis during the term of the contract. Because prices for these products may fluctuate, the Company may benefit if prices rise during the terms of these contracts, but it may be required to pay above-market prices if prices fall and it is unable to renegotiate the terms of the contract. As of February 29, 2024, the Company was contracted for approximately $270,000 of raw materials under such agreements. The Company has designated these contracts as normal under the normal purchase and sale exception under the accounting standards for derivatives. These contracts are not entered into for speculative purposes.

Litigation

From time to time, the Company is involved in litigation relating to claims arising out of its operations. The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. At February 29, 2024, the Company was not a party to any legal proceedings that were expected, individually or in the aggregate, to have a material adverse effect on its business, financial condition or operating results.

NOTE 12 – STOCKHOLDERS' EQUITY

Redemption of Preferred Stock Purchase Rights

On October 2, 2021, the Board of Directors approved the redemption of all the outstanding preferred stock purchase rights (the "Rights") granted pursuant to the Rights Agreement, dated March 1, 2015, between the Company and Computershare Trust Company, N.A., as Rights Agent (as amended, the "Rights Agreement"), commonly referred to as a "poison pill." Immediately upon the action of the Board of Directors to approve the redemption of the Rights, the right to exercise the Rights terminated, which effectively terminated the Rights Agreement. Pursuant to the Rights Agreement, the Rights were redeemed at a redemption price of $0.01 per Right. As a result, the Company paid an aggregate amount of $61,276 to stockholders in October 2021 to redeem the Rights.

Warrants

In connection with a terminated supplier agreement with a former customer of the Company, the Company issued a warrant (the "Warrant") to purchase up to 960,677 shares of the Company's common stock (the "Warrant Shares") at an exercise price of $8.76 per share. The Warrant Shares were to vest in annual tranches in varying amounts following each contract year under the terminated supplier agreement, and was subject to, and only upon, achievement of certain revenue thresholds on an annual or cumulative five-year basis in connection with its performance under the terminated supplier agreement. The Warrant was to expire six months after the final and conclusive determination of revenue thresholds for the fifth contract year and the cumulative revenue determination in accordance with the terms of the Warrant.

On November 1, 2022, the Company sent a formal notice to the customer terminating the agreement. As of February 29, 2024, no Warrant Shares had vested and, subsequent to the termination by the Company of supplier agreement, the Company has no remaining material obligations under the Warrant.

The Company determined that the grant date fair value of the Warrant was de minimis and did not record any amount in consideration of the warrants. The Company utilized a Monte Carlo model for purposes of determining the grant date fair value.

NOTE 13 - INCOME TAXES

Income tax expense (benefit) is comprised of the following for the years ended February 29 or 28:

	2024	2023	2022
Current			
Federal	$ -	$ (116,792)	$ 204,058
State	-	8,472	46,704
Total Current	-	(108,320)	250,762
Deferred			
Federal	-	621,841	(231,430)
State	-	100,322	(36,144)
Total Deferred	-	722,163	(267,574)
Total	$ -	$ 613,843	$ (16,812)

A reconciliation of the statutory federal income tax rate and the effective rate as a percentage of pretax income is as follows for the years ended February 29 or 28:

	2024	2023	2022
Statutory rate	21.0%	21.0%	21.0%
State income taxes, net of federal benefit	0.0%	2.9%	3.8%
Work opportunity tax credits	0.0%	0.0%	(1.2)%
Equity compensation tax expense	0.0%	(0.7)%	(8.2)%
Compensation and benefits permanent differences	(0.2)%	(3.2)%	(1.9)%
Other	1.6%	0.7%	0.1%
Valuation allowance	(22.4)%	(33.3)%	0.0%
Impact of CARES act	0.0%	0.0%	(10.3)%
Effective tax rate	(0.0)%	(12.6)%	3.3%

During FY 2024, the Company's effective tax rate was zero. This was primarily the result of losses reported in the year, no income taxes due, and full valuation allowance against deferred tax assets.

During FY 2023 the Company’s effective tax rate resulted in recognition of income tax expense despite incurring a pretax loss. During FY 2023 income tax expense was primarily the result of expense associated with an increase in reserves for deferred tax assets. Management evaluated recent losses before income taxes and determined that it is no longer more likely than not that our deferred income taxes are fully realizable. Because of this determination, the Company reserved for approximately $1.6 million of deferred tax assets. As of February 28, 2023, the Company has a full valuation allowance against its deferred tax assets.

During FY 2022 the low effective income tax rate was primarily the result of permanent differences between the Company’s expenses as valued for financial reporting purposes versus for income tax purposes. These differences were primarily valuation of restricted stock units and the period of recognition for employee retention credits. During FY 2021 the Company’s effective tax rate resulted in recognition of an income tax benefit as a result of a pretax loss being recognized for the year.

The components of deferred income taxes as of February 29 or 28 are as follows:

	2024	2023
Deferred Tax Assets		
Allowance for doubtful accounts and notes	$ 169,615	$ 182,031
Inventories	30,849	100,725
Accrued compensation	437,972	158,652
Loss provisions and deferred income	303,600	340,652
Self-insurance accrual	27,893	24,098
Interest & other	17,239	—
Restructuring charges	99,069	98,693
Right of use liabilities	479,732	—
Accumulated net losses	3,576,640	1,669,288
Valuation allowance	(3,106,393)	(1,721,306)
Net deferred tax assets	$ 2,036,216	$ 852,833
Deferred Tax Liabilities		
Depreciation and amortization	(1,450,441)	(771,593)
Right of use assets	(479,609)	—
Prepaid expenses	(106,166)	(81,240)
Deferred Tax Liabilities	(2,036,216)	(852,833)
Net deferred tax assets	$ -	$ -

The following table summarizes deferred income tax valuation allowances as of February 29 or 28:

	2024	2023
Valuation allowance at beginning of period	$ 1,721,306	$ 98,693
Tax expense realized by valuation allowance	1,385,087	1,622,613
Valuation allowance at end of period	$ 3,106,393	$ 1,721,306

The Company files income tax returns in the U.S. federal and various state taxing jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state tax examinations in its major tax jurisdictions for periods before FY 2019.

Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income, in the appropriate tax jurisdictions, in future years, to obtain benefit from the reversal of net deductible temporary differences. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed. A valuation allowance to reduce the carrying amount of deferred income tax assets is established when it is more likely than not that we will not realize some portion or all of the tax benefit of our deferred income tax assets. The Company evaluates, on a quarterly basis, whether it is more likely than not that our deferred income tax assets are realizable based upon recent past financial performance, tax reporting positions, and expectations of future taxable income. The determination of deferred tax assets is subject to estimates and assumptions. The Company periodically evaluates our deferred tax assets to determine if our assumptions and estimates should change**.** As of February 29, 2024 and February 28, 2023, the Company had a full valuation allowance against its deferred tax assets.

The Company accounts for uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the consolidated financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. As such, the Company is required to make judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax law and regulations change over time and may result in changes to the Company's judgments which can materially affect amounts recognized in the balance sheets and statements of operations. The result of the assessment of the Company's tax positions did not have an impact on the consolidated financial statements for the years ended February 29 or 28, 2024 or 2023. The Company does not have any significant unrecognized tax benefits and does not anticipate a significant increase or decrease in unrecognized tax benefits within the next twelve months. Amounts are recognized for income tax related interest and penalties as a component of general and administrative expense in the statement of income and are immaterial for the years ended February 29 or 28, 2024 and 2023.

The Company’s subsidiaries, SWRL, along with U-Swirl had a history of net operating losses prior to the company’s acquisition of them and thus the Company has a related net operating loss carry forward. In accordance with Section 382 of the Internal Revenue Code, deductibility of SWRL’s and U-Swirl’s Federal net operating loss carryovers may be subject to annual limitation in the event of a change in control. The Company has performed a preliminary evaluation as to whether a change in control has taken place, and has concluded that there was a change of control with respect to the net operating losses of U-Swirl when the Company acquired its controlling ownership interest. The initial limitations will continue to limit deductibility of SWRL’s and U-Swirl’s net operating loss carryovers, but the annual loss limitation will be deductible to RMCF and U-Swirl International Inc. upon the filing of joint tax returns in FY 2017 and future years.

The Company estimates that the potential future tax deductions of U-Swirl’s Federal net operating losses, limited by section 382, to be approximately $1,811,000 with a resulting deferred tax asset of approximately $445,000. U-Swirl’s Federal net operating loss carryovers will expire at various dates beginning in 2026.

Income tax provision (benefit) allocated to continuing operations and discontinued operations for the years ended February 29 or 28, 2024, 2023 and 2022 was as follows:

	2024	2023	2022
Continuing operations	$ -	$ 613,843	$ (16,812)
Discontinued operations	-	618,308	52,194
Total tax provision (benefit)	$ -	$ 1,232,151	$ 35,382

NOTE 14 - EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan called the Rocky Mountain Chocolate Factory, Inc. 401(k) Plan. Eligible participants are permitted to make contributions up to statutory limits. The Company makes a matching contribution, which vests ratably over a 3-year period, and is 25% of the employee's contribution up to a maximum of 1.5% of the employee's compensation. During the years ended February 29 or 28, 2024, 2023 and 2022, the Company's contribution was approximately $62,000, $68,000, and $67,000, respectively, to the plan.

NOTE 15 - OPERATING SEGMENTS

The Company classifies its business interests into three reportable segments: Rocky Mountain Chocolate Factory, Inc. Franchising, Manufacturing, Retail Stores, and Unallocated, which is the basis upon which the Company's chief operating decision maker, the chief executive officer, evaluates the Company's performance. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to these consolidated financial statements. The Company evaluates performance and allocates resources based on operating contribution, which excludes unallocated corporate general and administrative costs and income tax expense or benefit. The Company's reportable segments are strategic businesses that utilize common merchandising, distribution, and marketing functions, as well as common information systems and corporate administration. All inter-segment sales prices are market based. Each segment is managed separately because of the differences in required infrastructure and the differences in products and services:

FY 2024	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 5,928,870	$ 21,832,674	$ 1,318,901	$ -	$ 29,080,445
Intersegment revenues	(493)	(1,129,265)	-	-	(1,129,758)
Revenue from external customers	5,928,377	20,703,409	1,318,901	-	27,950,687
Segment profit (loss)	1,758,953	149,191	144,842	(6,928,703)	(4,875,717)
Total assets	1,255,165	11,989,238	510,189	6,822,626	20,577,218
Capital expenditures	134,635	2,297,046	41,801	543,991	3,017,473
Total depreciation & amortization	$ 31,618	$ 755,502	$ 7,684	$ 92,495	$ 887,299

FY 2023	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 5,980,945	$ 24,628,317	$ 1,084,777	$ -	$ 31,694,039
Intersegment revenues	(5,503)	(1,256,184)	-	-	(1,261,687)
Revenue from external customers	5,975,442	23,372,133	1,084,777	-	30,432,352
Segment profit (loss)	2,601,485	2,832,307	130,880	(10,439,185)	(4,874,513)
Total assets	1,245,331	9,792,491	442,977	10,506,028	21,986,827
Capital expenditures	17,129	899,219	5,413	78,254	1,000,015
Total depreciation & amortization	$ 34,301	$ 652,405	$ 5,845	$ 72,712	$ 765,263

FY 2022	Franchising	Manufacturing	Retail	Unallocated	Total
Total revenues	$ 5,959,624	$ 23,442,371	$ 1,160,295	$ -	$ 30,562,290
Intersegment revenues	(5,546)	(1,068,196)	-	-	(1,073,742)
Revenue from external customers	5,954,078	22,374,175	1,160,295	-	29,488,548
Segment profit (loss)	2,862,263	3,863,460	75,962	(7,318,214)	(516,529)
Total assets	1,160,343	10,023,716	625,850	15,070,852	26,880,761
Capital expenditures	1,832	797,178	3,688	138,629	941,327
Total depreciation & amortization	$ 36,625	$ 627,071	$ 5,635	$ 70,844	$ 740,175

NOTE 16 – CONTESTED SOLICITATION OF PROXIES AND EMPLOYEE AGREEMENTS

Contested Solicitation of Proxies

During FY 2023 and FY 2022, the Company incurred substantial costs associated with a contested solicitation of proxies in connection with its 2022 and 2021 annual meeting of stockholders. During FY 2023, the Company incurred approximately $4.1 million of costs associated with the contested solicitation of proxies, compared with $1.7 million of costs incurred during FY 2022, compared with no material costs incurred during FY 2024. These costs are recognized as general and administrative expense in the Consolidated Statement of Operations.

Employment Agreement Payments

The Company incurred charges as discussed below in relation to certain of its executives.

Robert J. Sarlls Separation Agreement

Effective January 27, 2024, the Company terminated the services of its CEO and entered into a separation agreement which specified that, due to the involuntary termination, certain cash payments would be made. These severance payments and the Company's share of associated payroll taxes in the amount of approximately $660,000 will occur over a 15-month period. The Company accrued a total of approximately $692,000 for all cash payments to be made to the CEO pursuant to the separation agreement.

In addition, all unvested RSU awards and stock options were cancelled upon effectiveness of the separation agreement. Stock options in the amount of 11,528 were cancelled as the employee had not met the service vesting condition as of the date of the separation agreement. Vested stock options in the amount of 16,140 could be exercised during the post termination exercise period as specified in the original option agreement. These shares had not yet been exercised as of February 29, 2024.

Service-based RSU awards in the amount of 27,130 shares were cancelled pursuant to the separation agreement as the employee had not met the required service conditions as of the date of the separation agreement. Performance-based awards for 46,630 shares were also cancelled as the required performance and service conditions had not been met as of the date of termination. Because the required performance conditions had not yet been met and the requisite service had not been provided by the employee, the Company reversed all previously recorded stock-based compensation in the amount of $69,000 in accordance with ASC 718.

Gregory L. Pope, Sr. Retirement Agreement

On May 8, 2023, the Company announced that Gregory L. Pope, Sr., Senior Vice President – Franchise Development, retired effective as of May 3, 2023 (the "Retirement Date"). In connection with his retirement, the Company and Mr. Pope entered into a retirement agreement and general release (the "Retirement Agreement") that provides (i) Mr. Pope will provide consulting services to the Company, as an independent contractor, until December 31, 2023, for a monthly consulting fee of $22,000, (ii) a retirement bonus of 26 equal bi-weekly payments of $12,500 (less tax withholding) payable beginning November 2023, (iii) for accelerated vesting of 8,332 non-vested restricted stock units as of the Retirement Date, (iv) payment of the cost of Mr. Pope's COBRA premiums for up to 18 months, and (v) reimbursement of Mr. Pope's legal fees incurred in connection with the Retirement Agreement (not to exceed $7,500). In addition, the Retirement Agreement includes covenants related to cooperation, non solicitation, and employment, as well as customary release of claims and non-disparagement provisions in favor of the Company, and a non-disparagement provision in favor of Mr. Pope.

In connection with Mr. Dudley's retirement in FY 2023, Mr. Dudley and the Company entered into a Separation Agreement and General Release (the "Separation Agreement"), dated September 30, 2022 (the "Effective Date"). Under the Separation Agreement, Mr. Dudley retired from the Company on the Effective Date and will be entitled, subject to the terms and conditions therein, to the following payments and separation benefits: (i) a cash separation payment amount in accordance with Mr. Dudley's employment agreement; (ii) acceleration of vesting of Mr. Dudley's

12,499 unvested restricted stock units as of the Effective Date; (iii) an additional cash severance payment of $70,000; and (iv) Mr. Dudley has agreed to provide consulting services to the Company through December 31, 2022, to the extent requested by the Company, for which he will receive a cash payment of $56,250. In addition, the Separation Agreement includes covenants related to cooperation, solicitation, and employment, as well as the customary release of claims and non-disparagement provisions in favor of the Company.

During FY 2022 Bryan J. Merryman agreed to voluntarily step down as President and Chief Executive Officer ("CEO") of the Company upon the hiring of a new President and CEO for the Company. On May 5, 2022 the Company concluded its search for a new CEO with the announcement that Robert Sarlls will succeed Mr. Merryman as the Company's CEO beginning on May 9, 2022.

In connection therewith, the Company and Mr. Merryman entered into a letter agreement dated November 8, 2021 (the "Letter Agreement"), effective November 3, 2021 (the "Effective Date"), amending that certain Second Restated Employment Agreement, dated as of February 26, 2019, by and between the Company and Mr. Merryman (the "Current Employment agreement"). Pursuant to the Letter Agreement, among other things, Mr. Merryman agreed to (i) continue as Chief Financial Officer of the Company, and (ii) until the Company hires a new President and CEO, as the interim President and CEO of the Company. Except as specifically set forth in the Letter Agreement, all the terms and provisions of the Current Employment Agreement remain unmodified and in full force and effect. In addition, on November 3, 2021, the Compensation Committee of the Board of Directors recommended, and the Board of Directors unanimously approved, the acceleration of vesting of approximately 66,667 unvested restricted stock units previously granted to Mr. Merryman, such that the restricted stock units are fully vested as of November 3, 2021 (the "RSU Acceleration"). On July 7, 2022 Mr. Merryman retired from the Company and all of the Company's obligations under the Letter Agreement and the Current Employment Agreement were satisfied.

As a result of the above agreements, the Company incurred the following costs during the fiscal years ended February 29 or 28, 2024, 2023 and 2022:

	2024	2023	2022
Severance compensation:	$ 692,295	$ 928,938	$ 1,344,813
Accelerated restricted stock unit compensation expense:	74,956	95,156	525,000
Reversal of previously recorded restricted stock unit compensation expense:	(69,032)	—	—
Consulting Services and Retirement Bonus:	501,000	56,250	-
Total	$ 1,199,219	$ 1,080,344	$ 1,869,813

These costs are recognized as general and administrative expense in the Consolidated Statement of Operations.

NOTE 17 – DISCONTINUED OPERATIONS

On February 24, 2023 and May 1, 2023, the Company entered into agreements to sell: 1) all operating assets and inventory associated with the Company's three U-Swirl Company-owned locations, and 2) all franchise rights and intangible assets associated with the franchise operations of U-Swirl, respectively. The May 1, 2023 sale was completed pursuant to an Asset Purchase Agreement (the "Asset Purchase Agreement"), dated May 1, 2023, by and among the Company, as guarantor, U Swirl as seller, LLC ("Purchaser"), a related company of Fosters Freeze, Inc., a California corporation. Pursuant to the Asset Purchase Agreement, on the Closing Date, Purchaser paid to U-Swirl $2.75 million, consisting of approximately (i) $1.75 million in cash and (ii) $1.0 million evidenced by a three-year secured promissory note in the aggregate original principal amount of $1.0 million. As a result of these asset sales, the activities of the Company's subsidiary, U-Swirl, which were previously recorded to the U-Swirl operating segment are reported as discontinued operations in the consolidated statement of operations, consolidated balance sheet and consolidated statement of cash flows for all periods presented. The majority of the assets and liabilities of U-Swirl met the accounting criteria to be classified as held for sale and were aggregated and reported on separate lines of the respective statements.

On October 31, 2023, the Company filed a certificate of dissolution with the Secretary of State of the State of Nevada with respect to U-Swirl. As a result, U-Swirl is effectively fully dissolved and no longer in legal existence.

The following table discloses the results of operations of the businesses reported as discontinued operations for the years ended February 29 or 28, 2024, 2023 and 2022, respectively:

	FOR THE YEARS ENDED FEBRUARY 29 or 28,		
	2024	2023	2022
Total Revenue	$ 212,242	$ 3,128,368	$ 2,854,031
Cost of sales	-	654,353	556,933
Operating Expenses	143,198	2,048,129	2,087,021
Gain on disposal of assets	(634,790)	-	-
Other expense, net	-	-	(137
Earnings from discontinued operations before income taxes	703,834	425,886	210,214
Income tax provision	-	618,308	52,194
Earnings (loss) from discontinued operations, net of tax	$ 703,834	$ (192,422)	$ 158,020

The following table reflects the summary of assets and liabilities held for sale for U-Swirl as of February 29 or 28, 2024 and 2023, respectively:

	AS OF FEBRUARY 29 or 28,	
	2024	2023
Accounts and notes receivable, net	$ -	$ 75,914
Inventory, net	-	6,067
Other	-	1,023
Current assets held for sale	-	83,004
Property and equipment, net	-	-
Franchise rights, net	-	1,708,336
Intangible assets, net	-	48,095
Deferred income taxes	-	-
Other	-	9,415
Long-term assets held for sale	-	1,765,846
Total Assets Held for Sale	-	1,848,850
Accounts payable	-	125,802
Accrued compensation	-	11,205
Accrued liabilities	-	11,981
Contract liabilities	-	29,951
Current liabilities held for sale	-	178,939
Contract liabilities, less current portion	-	184,142
Long term liabilities held for sale	-	184,142
Total Liabilities Held for Sale	$ -	$ 363,081

The following table summarizes the gain recognized during the year ended February 29, 2024 related to the sale of assets on May 1, 2023, as described above:

Cash proceeds from the sale of assets	$	1,757,738
Notes receivable		1,000,000
Total consideration received		2,757,738
Assets and liabilities transferred		
Franchise rights		1,703,325
Inventory		6,067
Liabilities		(229,431)
Net assets transferred		1,479,961
Costs associated with the sale of assets		642,987
Gain on disposal of assets	$	634,790

Plante & Moran, PLLC
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Cleveland, OH 44114
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plantemoran.com

CONSENT OF INDEPENDENT AUDITOR

Plante & Moran, PLLC consents to the inclusion of our Report of Independent Registered Public Accounting Firm, dated May 30, 2023, on the consolidated balance sheet of Rocky Mountain Chocolate Factory, Inc. (the "Company") as of February 28, 2023, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended February 28, 2023, in the Company's Franchisor Disclosure Document dated on or about July 25, 2025.

Plante & Moran, PLLC

July 25, 2025

GUARANTEE OF PERFORMANCE

For value received, Rocky Mountain Chocolate Factory, Inc., a Delaware corporation ("Guarantor") located at 265 Turner Drive, Durango, Colorado 81303, absolutely and unconditionally guarantees to assume the duties and obligations of Rocky Mountain Chocolate Factory, Inc., a Colorado corporation, located at 265 Turner Drive, Durango, Colorado 81303 (the "Franchisor") under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended, from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until liability of the Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Durango, Colorado on the 18th day of July, 2025.

Guarantor:

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By: Jeffrey Geygan

Title: Interim CEO & Director

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EXHIBIT G

ROCKY MOUNTAIN CHOCOLATE FACTORY
OPERATIONS MANUAL TABLE OF CONTENTS

15 APPENDICES

15.1 Forms and templates

15.2 FAQ

EXHIBIT H

GENERAL RELEASE

THIS GENERAL RELEASE ("**Release**") is made effective as of the ___ day of _____20___ by _____, individually and _____, a _____ [corporation/limited liability company] (collectively, "**Franchisee**") in favor of Rocky Mountain Chocolate Factory, Inc., a Colorado corporation ("**Franchisor**") (collectively referred to as "**Parties**"), who, on the basis of the following agreements, agree as follows:

A. The Parties have entered into that certain Franchise Agreement dated _____, 20__ ("**Franchise Agreement**"), which governs the development and operation of a ROCKY MOUNTAIN CHOCOLATE FACTORY Store ("**ROCKY MOUNTAIN CHOCOLATE FACTORY Store**" or "**Store**") (to the extent not otherwise defined herein, all initial-capitalized references shall have the same meaning as set forth in the Franchise Agreement);

B. The Franchisee desires to transfer the Franchise Agreement, the ownership of the Franchisee, or the ROCKY MOUNTAIN CHOCOLATE FACTORY Store or some or all of the assets of the Store;

OR

B. The Franchisee desires to enter into a successor to the Franchise Agreement;

C. The Franchisor desires to consent to the Franchisee's request subject to the Franchisee's compliance with the terms and conditions set forth in the Franchise Agreement including, without limitation, the execution and delivery by the Franchisee to the Franchisor of this Release.

1. **Release**. The Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives ("**Franchisee Affiliates**"), hereby fully and forever unconditionally releases and discharges the Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as "**Franchisor Affiliates**") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever ("**Released Claims**"), in law or in equity, whether known or unknown, which the Franchisee or the Franchisee Affiliates may now have against the Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with the Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Release.

[APPLIES ONLY IN CALIFORNIA] 1.(a) Release of Unknown Claims and Waiver of California Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the Release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor."

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Release), to the fullest extent that the Franchisee and the Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Release, but that it is the Franchisee's and the Franchisee Affiliates' intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 1(a) of this Release.

[APPLIES ONLY IN SOUTH DAKOTA] 1.(b) Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of this Release, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

The Franchisee and the Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that the Franchisee and the Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Release, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. The Franchisee and the Franchisee Affiliates agree to defend, indemnify and hold harmless the Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly

or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section l.(b) of this Release.

2. **General**. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Colorado. This Release embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings relating to the subject matter hereof: and this Release may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Release is intended to disclaim any representations made by the Franchisor in the most recent franchise disclosure document provided by the Franchisor or its representatives to the Franchisee in connection with any successor to the Franchise Agreement. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Release may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Release shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Release as though originally included. The remaining provisions of this Release shall not be affected by such modification. All provisions of this Release are binding and shall inure to the benefit of the Parties and their respective delegatees, successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Release to be made effective on the day and year first above written.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

Date:_____ By:_____
Jeffrey R. Geygan, Interim CEO

FRANCHISEE:

Date:_____ _____
Individually

Date:_____ _____
Individually

AND:
(if a corporation, limited liability company or partnership)

Date:_____ _____
Company

By:_____
Title:_____

EXHIBIT I

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
PROMISSORY NOTE

$_____ _____, 20___

FOR VALUE RECEIVED, the undersigned _____ _____ ("**Debtor**"), hereby promises to pay to the order of Rocky Mountain Chocolate Factory, Inc., a Colorado corporation ("**Holder**"), the principal sum of _____ and no/100 Dollars ($_____), as set forth herein. Such principal shall be payable pursuant to Section 1 at such address as Holder may designate from time to time in writing.

1. Payment and Maturity.

a. Interest. This Promissory Note will bear interest at ____%, compounded monthly on the last day of each month on the outstanding balance.

b. Payment Terms. _____.

2. Prepayment. Debtor may prepay any portion of this Promissory Note at any time without penalty. Any prepayments shall be first applied to any other sums due hereunder and then to the outstanding principal balance.

3. Acceleration and Defaulting Interest. At the option of Holder, the entire outstanding principal balance of this Promissory Note shall become immediately due and payable, without notice or demand, upon the occurrence of any one or more of the following events of default: (a) the failure of Debtor to make any required payment on or before the date such payment is due; (b) the filing of a petition by or against Debtor under the provisions of any state insolvency law or the Federal Bankruptcy Act; or (c) any assignment by Debtor for the benefit of creditors. In this event, interest and principal shall, from and after the date of such default, bear interest at the rate of 10% per annum.

4. Attorney Fees. Debtor agrees to promptly reimburse Holder for all reasonable costs and expenses, including attorney fees and court costs, incurred to collect this Promissory Note or any installment hereunder, if not paid when due.

5. No Waiver. No failure on the part of Holder to exercise, and no delay in exercising any right hereunder, shall operate as a waiver of such right; nor shall any single or partial exercise by Holder of any right hereunder preclude the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

6. Waiver. Debtor hereby waives presentment, demand for payment, protest for nonpayment, notice of dishonor, diligence in collection, and all other indulgences.

7. Colorado Law. This Promissory Note shall be governed by and interpreted in accordance with the laws of the State of Colorado.

8. Security. This Promissory Note and the indebtedness evidenced hereby are secured by the Security Agreement attached hereto as Attachment A.

9. General Provisions. This Promissory Note may not be amended, modified, or changed, nor shall any waiver of any provision hereof be effective, except by an instrument in writing and signed by the party against whom enforcement of any waiver, amendment, change, modification, or discharge is sought.

Whenever used herein, the words "**Debtor**" and "**Holder**" shall be deemed to include their respective heirs, legal representatives, successors, and assigns.

IN WITNESS WHEREOF, the undersigned has duly executed this Promissory Note on the day and year first above written.

DEBTOR:

_____

ATTACHMENT A TO PROMISSORY NOTE

SECURITY AGREEMENT

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

1. Security Interest. Effective as of the ____ day of _____ 20___, _____ ("**Debtor**"), with a mailing address at _____ _____ hereby grants to Rocky mountain Chocolate Factory, Inc., a Colorado corporation ("**Secured Party**"), with an address at 265 Turner Drive, Durango, Colorado 81303, and its successors and assigns, a security interest in the following assets, together with all replacements, proceeds, accessories, parts, additions, and accessions thereof or related thereto, now or hereafter affixed or used in connection therewith, and whether now owned or hereafter acquired (the "**Collateral**"):

All accounts receivable (including rights to payment under insurance claims), contract rights (including all executory contracts pertaining to or arising from the operation of the Debtor's business), franchise's lease and rights, customer lists, customer profiles, promotional brochures, mailing lists, goodwill, general intangibles, and causes of action, of every sort now owned or hereafter acquired by Debtor, wherever located, in any way related to the operation of the business.

Debtor agrees to execute such other documentation as may be necessary under applicable law to allow Secured Party continuously to hold and perfect a security interest in the Collateral.

2. The Obligation. The security interest granted hereby is to secure payment and performance of all of the liabilities and obligations of Debtor to Secured Party pursuant to that certain Promissory Note of even date herewith (the "**Note"**).

3. Representations and Warranties Respecting the Collateral. Debtor hereby warrants that Debtor shall not allow any liens to attach to the Collateral that are senior to the Secured Party's interest in the Collateral.

4. Default. Time is of the essence under this Security Agreement, and Debtor shall be in default ("**Default**") under this Security Agreement upon the happening of any of the following events or conditions: (1) the occurrence of a default under the Promissory Note; or (2) Debtor's failure to use the Collateral as provided herein; or (3) Debtor's failure to prevent liens from attaching to the Collateral, except as provided herein. Waiver of any Default by the Secured Party shall not constitute a waiver of any subsequent Default.

5. Remedies. Upon the occurrence of any Default pursuant to Section 4 above, Secured Party may, by written notice to the Debtor, declare the commitments of Secured Party under the Franchise Agreement between Debtor and Secured Party to be terminated, whereupon such commitments shall forthwith terminate regardless of when such event occurs. Secured Party, by written notice to the Debtor, may terminate the Franchise Agreement, whereupon all amounts due to Secured Party shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by the Debtor.

Without limiting the foregoing, upon the occurrence of a Default, Secured Party shall have all the rights of a secured party under the Uniform Commercial Code, including the right to take possession of and to sell all, or any part of, the Collateral at public or private sale. Upon the request of Secured Party, the

Debtor shall assemble and deliver the Collateral to such location as Secured Party shall request. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed to have occurred if mailed, in accordance with Section 12 of this Security Agreement, at least seven days before such disposition. Any proceeds of a disposition of the Collateral or any part thereof may be applied by Secured Party to the payment of expenses in connection with the collateral (including, without limitation, the storage and/or disposition thereof), including reasonable attorney fees and legal expenses, and any balance of such proceeds may be applied by Secured Party towards the payment of the any obligation of Debtor arising under this Security Agreement or the Franchise Agreement in such order of application as Secured Party may from time to time deem appropriate.

6. Debtor's Right To Possession. Unless and until the occurrence of a Default as defined herein or in the Agreement, and unless possession is required to perfect a security interest, Debtor shall have possession of the Collateral and may use the same in any lawful manner not inconsistent with or contrary to this Agreement.

7. Termination. Upon payment to Secured Party of all obligations of Debtor pursuant to the Franchise Agreement, this Security Agreement shall terminate and Secured Party hereby agrees to execute and deliver any and all necessary documents to effectuate a release of the Collateral and termination of any security interest granted pursuant hereto.

8. Complete Agreement; Amendments. This Security Agreement, along with the Promissory Note, is the entire agreement, and supersedes any prior agreements and contemporaneous oral agreements of the parties concerning its subject matter. No amendment of, or waiver of, a right under this Security Agreement will be binding unless it is in writing and signed by the party to be charged.

9. Governing Law. This Security Agreement will be governed by the laws of the State of Colorado, without giving effect to conflicts of law principles.

10. Severability. To the extent a provision of this Security Agreement is unenforceable, this Security Agreement will be construed as if the unenforceable provision were omitted.

11. Successors and Assigns. A successor to or assignee of Secured Party's rights and obligations under the Security Agreement will succeed to Secured Party's rights and obligations under this Security Agreement.

12. Notices. A notice or other communication to a party under this Security Agreement will be in writing (except that entitlement orders may be given orally), will be sent to the party's address set forth above, or to such other address as the party may notify the other parties of, and will be effective on receipt.

13. JURY WAIVER. EACH OF THE PARTIES WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS SECURITY AGREEMENT, ANY RIGHTS, REMEDIES, OBLIGATIONS, OR DUTIES HEREUNDER, OR THE PERFORMANCE OR ENFORCEMENT HEREOF OR THEREOF.

14. Counterparts. This Security Agreement may be executed and acknowledged in counterparts, all of which executed and acknowledged counterparts shall together constitute a single document. Facsimile signature pages will be acceptable and shall be conclusive evidence of execution.

15. Time. Time is of the essence with regard to each provision of this Security Agreement as to which time is a factor.

16. Attorney Fees. If any legal action or any arbitration or other proceeding is brought for the enforcement of this Security Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Security Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorney fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the date first above written.

DEBTOR:

_____

SECURED PARTY:

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.,
a Colorado corporation

Sign: _____

Name: _____

Title: _____

EXHIBIT J

STATE ADDENDA AND RIDERS TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND OTHER AGREEMENTS

ADDENDUM TO THE ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. DISCLOSURE DOCUMENT FOR THE STATE OF CALIFORNIA

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 DISCLOSURE DOCUMENT.

OUR WEBSITE (www.rmcf.com) 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.

1. The following paragraphs are added to the end of Item 17:

The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Neither the Franchisor, any person 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 persons from membership in such association or exchange.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

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.

You must sign a general release if you renew or 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).

Before the franchisor can ask you to materially modify your existing franchise agreement, Section 31125 of the California Corporations Code requires the franchisor to file a material modification application with the Department that includes a disclosure document showing the existing terms and the proposed new terms of your franchise agreement. Once the application is registered, the franchisor must provide you with that disclosure document with an explanation that the changes are voluntary.

For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES OR A FINDING BY THE COMMISSIONER OF SECURITIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

The Franchisor's registered agent in the state authorized to receive service of process is:

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

1. The following list reflects the status of the franchise registrations of the Franchisor in the states which require registration:

A. This proposed registration is effective in the following states: California, Illinois, Indiana, Maryland, Michigan, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

B. This proposed registration is or will shortly be on file in the following states: Hawaii and Minnesota.

C. States which have refused, by order or otherwise, to register these franchises are: None.

D. States which have revoked or suspended the right to offer the franchises are: None.

E. States in which the proposed registration of these franchises has been withdrawn are: None.

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

RIDER TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

This Rider to the Franchise Agreement by and between Rocky Mountain Chocolate Factory, Inc. and Franchisee is dated _____, 20____.

1. Section 22.25 is deleted in its entirety.

2. Illinois law governs the Franchise Agreement. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue outside of the State of Illinois is void. However, arbitration may take place outside of Illinois.

4. Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____
Name, Title

FRANCHISEE:

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF INDIANA

Indiana law prohibits us from establishing a company-owned Store within a reasonable area of your Franchised Location which would compete unfairly with you.

In Items 17(c), 17(i) and 17(m), any releases you sign will not apply to any claims that may arise under the Indiana Franchise Disclosure Law and the Indiana Deceptive Practices Act.

Item 17(r) may not be enforceable under the Indiana Deceptive Practices Act.

Item 17(w) Indiana franchise laws apply even though Colorado law applies generally.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

The following provisions apply to all Franchises offered and sold to residents of the State of Maryland or to be located in the State of Maryland:

1. The following statement is added to Item 5:

   Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. The following provisions apply to all Franchises offered and sold to residents of the State of Maryland or to be located in the State of Maryland:

   The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §§ 101 et seq.).

   Under Maryland law, the general release required as a condition of renewal and/or assignment/transfer shall not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

   You may bring any cause of action against us in any court of competent jurisdiction, including the state or federal courts of Maryland. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

   No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

RIDER TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

This Rider to the Franchise Agreement by and between Rocky Mountain Chocolate Factory, Inc. and Franchisee is dated _____, 20____.

1. The following statement is added to the end of Section 4.1. ("**Initial Franchise Fee**") of the Franchise Agreement, and /or to the end of Section 5 ("**Development Fees**") of the Development Agreement Rider:

> Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. The following shall be added at the end of Sections 16.2.f ("**Pre-Conditions to Franchisee's Transfer**") and 17.3.d ("**Rights Upon Expiration**"):

> Any release executed in connection herewith will not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

3. The following sentence is added to the end of Section 22.1 ("**Governing Law/Consent to Venue and Jurisdiction**"):

> The Franchisee may commence any cause of action against the Franchisor in the state or federal courts of Maryland or Colorado. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the franchise.

4. The following sentence is added to the end of Sections 22.3 and ("**Modification**"), 22.4 ("**Entire Agreement**"):

> Provided, however, that this provision is not limited to, nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Laws.

5. Section 22.25 ("**Acknowledgement**") is deleted in its entirety from the Franchise Agreement.

6. No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____
Name, Title

FRANCHISEE:

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

The following risk factor is added to the Special Risks to Consider About This Franchise cover page:

> **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. As such, we will protect franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of same (see Minnesota Statute 80C.12 Subd 1(G)).

Minnesota law provides a Franchisee with certain transfer, termination and nonrenewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, that (i) a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the applicable agreement, and (ii) consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota Rules 2860.440(D) prohibits a franchisor from requiring a franchisee assent to a general release.

All sections of the Franchise Disclosure Document referencing franchisor's right to obtain injunctive relieve are hereby amended to refer to franchisor's right to seek to obtain injunctive relief. In addition, a court will determine if a bond is required. (see Minnesota Rule 2860.44(J))

Minnesota Statute 80C.17 Subd 5 provides that no action may be commenced thereunder more than 3 years after the cause of action accrues.

Minnesota Statute 604.113 puts a cap of $30 on service charges incurred in connection with any check returned due to insufficient funds.

No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a

franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

RIDER TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

This Rider to the Franchise Agreement by and between Rocky Mountain Chocolate Factory, Inc. and Franchisee is dated _____, 20____.

1. The following paragraph is added to Section 14.5 of the Franchise Agreement:

Minnesota considers it unfair to not protect the Franchisee's right to use the trademarks. As such, we will protect Franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of same (see Minnesota Statute 80C.12 Subd 1(G))..

2. The following paragraph is added to the end of Section 16.1 of the Franchise Agreement:

Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, consent to the transfer of the franchise will not be unreasonably withheld.

3. The following paragraph is added to Section 18 of the Franchise Agreement:

Minnesota law provides a Franchisee with certain termination and nonrenewal rights. Minn. Stat. Sec. 80C.14 Subd. 3, 4 and 5 require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of this Agreement.

4. Section 18.3.b. of the Franchise Agreement is deleted in its entirety.

5. The last sentence of Section 22.1 of the Franchise Agreement is deleted and the following language is added:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

6. Notwithstanding anything in Section 22.9 of the Franchise Agreement to the contrary, Franchisee cannot consent to Franchisor obtaining injunctive relief. (See Minnesota Rules 2860.4400(J)). In addition, a court will determine if a bond is required.

7. Notwithstanding anything in Section 22.21 of the Franchise Agreement to the contrary, Minnesota Statute 80C.17 Subd 5 provides that no action may be commenced thereunder more than 3 years after the cause of action accrues.

8. To the extent Franchisee is required to execute a general release in Franchisor's favor, Minnesota Rules 2860.4400(D) prohibits Franchisor from requiring Franchisee to assent to a general release.

9. Minnesota Statute 604.113 puts a cap of $30 on service charges incurred in connection with any check returned due to insufficient funds.

10. No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Minnesota Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____
Name, Title

FRANCHISEE:

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

1. The following paragraphs are added to the state cover page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF 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 DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 15TH FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

2. The Franchisor's registered agent in the state authorized to receive service of process is:

New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

3. The following Risk Factor is added to the state cover page:

THE FRANCHISE AGREEMENT PROVIDES THAT VENUE IS TO BE IN THE STATE OF COLORADO. THIS MEANS THAT IF YOU PURCHASE A FRANCHISE AND A DISPUTE ARISES, YOU WILL HAVE TO DEFEND OR MAINTAIN THE PROCEEDINGS IN THE STATE OF COLORADO.

4. The following is added at the end of Item 3:

Except as provided above, with regard 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.

5. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

6. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

7. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," Item 17(i), titled "**Franchisee's obligations on termination/nonrenewal**," and Item 17(m), titled "**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.

8. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

You may terminate the agreement on any grounds available by law.

9. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor**":

However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor, is willing and financially able to assume the Franchisor's obligations under the Franchise Agreement.

10. 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**":

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.

11. THE FRANCHISOR REPRESENTS THAT IT HAS NOT KNOWINGLY OMITTED FROM THE PROSPECTUS ANY MATERIAL FACT, NOR DOES THE PROSPECTUS CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

12. No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

RIDER TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

This Rider to the Franchise Agreement by and between Rocky Mountain Chocolate Factory, Inc. and Franchisee is dated _____, 20____.

1. The following shall be added at the end of Section 16.2.f and 17.3.d:

"..., provided however, that all rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL 687.4 and 687.5 be satisfied."

2. The following shall be added to Article 18:

The Franchisee may terminate this Agreement upon any grounds available by law.

3. The following shall be added at the end of Section 22.1:

The foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York.

4. No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____
Jeffrey R, Geygan, Interim CEO

FRANCHISEE:

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the state of North Dakota:

1. No release language set forth in the Franchise Agreement, shall relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of North Dakota.

2. Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the Franchisee to agree or consent to jurisdiction or venue, in a forum outside of North Dakota, is deleted from all Franchise Agreements issued in the State of North Dakota.

3. Section 22.10 of the Franchise Agreement ("Waiver of Punitive Damages and Jury Trial") requires the Franchisee to consent to a waiver of trial by jury. This requirement is deleted from all Franchise Agreements and any other related agreements used in the State of North Dakota.

4. Section 22.10 of the Franchise Agreement ("Waiver of Punitive Damages and Jury Trial") requires the Franchisee to consent to a waiver of exemplary and punitive damages. This requirement is deleted from all Franchise Agreements and any other related agreements used in the State of North Dakota.

5. The following statement is added at the end of Items 17(c), 17(i) and 17(m):

   (Any release executed in connection herewith shall not apply to any claims that may arise under the North Dakota Franchise Investment Law).

6. The following statement is added at the end of Item 17(i):

   Any sections of the Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

7. The following statement is added at the end of Item 17(r):
   Covenants not to compete such as those mentioned above are generally considered unenforceable in the state of North Dakota.

8. Item 17(v) is deleted in its entirety.

9. Item 17(w) is deleted in its entirety.

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 any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

RIDER TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

This Rider to the Franchise Agreement by and between Rocky Mountain Chocolate Factory, Inc. and Franchisee is dated _____, 20___.

1. The following statement is added to the following sections: Section 16.2.i, Section 20.1; and Section 20.2:

   (Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.)

2. The following statement is added to Section 16.2.f and Section 17.3.d:

   Sections of the Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

3. The second, third and fourth sentences of Section 16.4.c. are deleted and the following are substituted in their place:

   If the parties cannot agree within a reasonable time on the cash consideration, each party shall designate an appraiser and the two appraisers chosen shall select a third appraiser. The determination of the appraisers shall be binding upon the parties. All expenses of the appraisers shall be paid for equally between the Franchisor and the Franchisee.

4. The following statement is added to Section 18.3.c: Any sections of the Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

5. Section 17.2.e is deleted in its entirety from the Franchise Agreement.

6. Section 22.1 is deleted in its entirety from the Franchise Agreement.

7. Section 22.10 is deleted in its entirety from the Franchise Agreement.

8. Section 22.21 is deleted and the following is substituted in its place:

   Limitation of Claims. The statute of limitations under North Dakota law will apply.

9. 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 any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this North Dakota Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____
Jeffrey R. Geygan, Interim CEO

FRANCHISEE:

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY,
INC. DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND

1. The following paragraph is added at the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

RIDER TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

THIS RIDER ("**Rider**") to the Franchise Agreement ("**Agreement**") dated _____, 20____ is made effective on _____, 20____, between Rocky Mountain Chocolate Factory, Inc. (the "**Franchisor**") and _____ (the "**Franchisee**"). This Rider shall amend and be incorporated into the Agreement. All capitalized terms not defined in this Rider shall have the respective meanings set forth in the Agreement. In the event of any conflict between the terms of this Rider and the terms of the Agreement, the terms of this Rider shall control.

1. **No Waiver of Disclaimer of Reliance**. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

2. **Effectiveness**. This Rider shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. To the extent not amended herein, all other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Rider as of the date first written above.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____
Jeffrey R. Geygan, Interim CEO

FRANCHISEE:

_____
Individually

AND:

(if a corporation or partnership)

_____
Company Name

By:_____
Title:_____

RIDER TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF SOUTH DAKOTA

THIS RIDER ("**Rider**") to the Franchise Agreement ("**Agreement**") dated _____, 20____ is made effective on _____, 20_____, between Rocky Mountain Chocolate Factory, Inc. (the "**Franchisor**") and _____(the "**Franchisee**"). This Rider shall amend and be incorporated into the Agreement. All capitalized terms not defined in this Rider shall have the respective meanings set forth in the Agreement. In the event of any conflict between the terms of this Rider and the terms of the Agreement, the terms of this Rider shall control.

1. **No Waiver of Disclaimer of Reliance**. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

2. **Effectiveness**. This Rider shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor. To the extent not amended herein, all other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Rider as of the date first written above.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____
Jeffrey R. Geygan

FRANCHISEE:

_____
Individually

AND:

(if a corporation or partnership)

_____
Company Name

By:_____
Title:_____

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

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

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

No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
DISCLOSURE DOCUMENT FOR
THE STATE OF WASHINGTON

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** 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.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Item 17(d) is hereby deleted in its entirety and replaced with the following:

Provision	Section in Franchise Agreement	Summary
(d) Termination by franchisee	Section 18.1	You may terminate the Agreement upon any grounds available by law.

20. Item 17(q) is hereby deleted in its entirety and replaced with the following:

Provision	Section in Franchise Agreement	Summary
(q) Non-competition covenants during the term of the franchise	Section 20.1	No involvement in competing business (subject to applicable state law).

21. Item 17(r) is hereby deleted in its entirety and replaced with the following:

Provision	Section in Franchise Agreement	Summary
(r) Non-competition covenants after the franchise is terminated or expires	Section 20.2	No involvement in competing business (subject to applicable state law).

Signature page follows

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____20_____.

_____	_____
Signature of Franchisor Representative	Signature of Franchisee Representative
_____	_____
Title of Franchisor Representative	Title of Franchisee Representative

RIDER TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** 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.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. The following statement shall be added at the end of Section 18.1 of the Franchise Agreement: The Franchisee may terminate the Agreement upon any grounds available by law.

20. Section 22.25 is deleted in its entirety from the Franchise Agreement.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____20_____.

_____	_____
Signature of Franchisor Representative	Signature of Franchisee Representative
_____	_____
Title of Franchisor Representative	Title of Franchisee Representative

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
DISCLOSURE DOCUMENT
FOR THE STATE OF WISCONSIN

REGISTRATION OF THIS FRANCHISE IN WISCONSIN DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

RIDER TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN

This Rider to the Franchise Agreement by and between Rocky Mountain Chocolate Factory, Inc. and Franchisee is dated _____, 20____.

1. The following paragraph is added to Section 18.6:

The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

2. No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Wisconsin Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____
Jeffrey R. Geygan, Interim CEO

FRANCHISEE:

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

RIDER TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE AGREEMENT
FOR THE STATES OF INDIANA AND MICHIGAN

This Rider to the Franchise Agreement by and between Rocky Mountain Chocolate Factory, Inc. and Franchisee is dated _____, 20____.

1. No Waiver of Disclaimer of Reliance. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Wisconsin Rider concurrently with the execution of the Franchise Agreement on the day and year first above written.

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By:_____
Jeffrey R. Geygan, Interim CEO

FRANCHISEE:

_____
FRANCHISEE (Print Name)

By:_____
Title:_____

EXHIBIT K

CLOSING ACKNOWLEDGEMENT

***California franchisees should not complete this document. If any California franchisee completes this document, it is against California public policy and will be void and unenforceable and we will destroy, disregard, and we will not rely on such document.**

In order to ensure that your decision to purchase a Rocky Mountain Chocolate Factory, Inc. ("**RMCF**") franchise is based upon your own independent investigation and judgment, please complete and sign this Acknowledgement. All terms not defined herein shall have their respective meanings as set forth in the Franchise Agreement dated of even date herewith between the undersigned Franchisee and RMCF.

1. I have not received any information, either oral or written, regarding the sales, revenues, earnings, income or profits of ROCKY MOUNTAIN CHOCOLATE FACTORY Stores from any officer, employee, agent or sales representative of RMCF, except as may be set forth in Item 19 of the Franchise Disclosure Document.

2. I have not received any assurances, promises or predictions of how well my ROCKY MOUNTAIN CHOCOLATE FACTORY Store will perform financially from any officer, employee, agent or sales representative of RMCF.

3. I have made my own independent determination that I have adequate working capital to develop, open and operate my ROCKY MOUNTAIN CHOCOLATE FACTORY Store.

4. I acknowledge that RMCF will provide guidelines for a suitable site for my ROCKY MOUNTAIN CHOCOLATE FACTORY Store, but I understand that I am responsible for the final decision regarding the selection of a suitable site.

5. I am not relying on any promises of RMCF which are not contained in the ROCKY MOUNTAIN CHOCOLATE FACTORY Franchise Agreement or in the most recent Franchise Disclosure Document furnished by RMCF or its authorized representative.

6. I acknowledge that the terms of the ROCKY MOUNTAIN CHOCOLATE FACTORY Franchise Agreement are not negotiable.

7. I understand that my investment in a ROCKY MOUNTAIN CHOCOLATE FACTORY Store contains substantial business risks and that there is no guarantee that it will be profitable.

8. I acknowledge that RMCF reserves the right to distribute, and may presently be distributing, the same products and services which my ROCKY MOUNTAIN CHOCOLATE FACTORY Store will offer and sell, through co-branded stores and through alternative channels of distribution using the Marks and the Licensed Methods, at any location.

9. I have been advised by RMCF and its representatives to seek professional legal and financial advice in all matters concerning the purchase of my ROCKY MOUNTAIN CHOCOLATE FACTORY Store.

10. I acknowledge that the success of my ROCKY MOUNTAIN CHOCOLATE FACTORY Store depends in large part upon my ability as an independent business person and my active participation, or the active participation of my General Manager, in the day to day operation of the Store.

11. The name(s) of the person(s) with whom I dealt in the purchase of my ROCKY MOUNTAIN CHOCOLATE FACTORY Store is/are _____. The name(s) of the person(s) listed

above have also been listed on the Franchise Disclosure Document receipt that I signed and provided to RMCF.

FRANCHISEE:

Date	Name of Entity
	By: _____
	Title: _____
	FRANCHISEE:
Date	Individually
Date	Individually

The Following language applies only to transactions governed by the Hawaii Franchise Investment Act:

This Acknowledgement shall not apply to residents of Hawaii or if the franchise is located in Hawaii.

The Following language applies only to transactions governed by the Illinois Franchise Disclosure Act:

This Acknowledgement shall not apply to residents of Illinois or if the franchise is located in Illinois.

The following language applies only to transactions governed by the Maryland Franchise Registration and Disclosure Law:

Do not sign this Acknowledgement if you are a resident of Maryland or the franchise is to be operated in Maryland.

The following language applies only to transactions governed by the Washington Franchise Investment Protection Act:

This Acknowledgement does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

EXHIBIT L

STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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

EXHIBIT M

RECEIPTS

RECEIPT

(Keep this copy for your records.)

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 Rocky Mountain Chocolate Factory, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Rocky Mountain Chocolate Factory, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Rocky Mountain Chocolate Factory, Inc., located at 265 Turner Drive, Durango, Colorado 81303, Telephone: (970) 259-0554.

Issuance date: July 25, 2025

The franchise seller(s) for this offering is Jeff Geygan or Jeremy Garcia, located at 265 Turner Drive, Durango, Colorado 81303.

Rocky Mountain Chocolate Factory, Inc. authorizes the respective agents identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document dated July 25, 2025, and effective in the franchise registration states on the dates noted on the page following the State Cover Page, that included the following Exhibits:

A	List of State Agencies/Agents for Service of Process	H	General Release
B	Franchise Agreement	I	Promissory Note
C	Development Agreement Rider	J	State Addenda and Riders to Disclosure Document, Franchise Agreement and Other Exhibits
D	List of Franchisees	K	Closing Acknowledgment
E	Franchisees Who Have Left the System	L	State Effective Dates
F	Financial Statements	M	Receipt of Disclosure Document
G	Operations Manual Table of Contents		

Date:_____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

RECEIPT

(Return this copy to us)

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 Rocky Mountain Chocolate Factory, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Rocky Mountain Chocolate Factory, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Rocky Mountain Chocolate Factory, Inc., located at 265 Turner Drive, Durango, Colorado 81303, Telephone: (970) 259-0554.

Issuance date: July 25, 2025

The franchise seller(s) for this offering is Jeff Geygan or Jeremy Garcia, located at 265 Turner Drive, Durango, Colorado 81303.

Rocky Mountain Chocolate Factory, Inc. authorizes the respective agents identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document dated July 25, 2025 and effective in the franchise registration states on the dates noted on the page following the State Cover Page, that included the following Exhibits:

A	List of State Agencies/Agents for Service of Process	H	General Release
B	Franchise Agreement	I	Promissory Note
C	Development Agreement Rider	J	State Addenda and Riders to Disclosure Document, Franchise Agreement and Other Exhibits
D	List of Franchisees		
E	Franchisees Who Have Left the System	K	Closing Acknowledgment
F	Financial Statements	L	State Effective Dates
G	Operations Manual Table of Contents	M	Receipt of Disclosure Document

Date:_____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

You may return the signed receipt either by signing, dating and mailing it to 265 Turner Drive, Durango, Colorado 81303, or by faxing a copy of the signed and dated receipt to Rocky Mountain Chocolate Factory, Inc. at (970) 259-5895.