FRANCHISE DISCLOSURE DOCUMENT

ALL AMERICAN SPECIALTY RESTAURANTS, INC.
AN OREGON CORPORATION
1201 SW 12th Avenue, Suite 415
Portland, Oregon 97205
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(800) 311-3930
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www.allamericanrestaurants.com
www.sertinos.com
www.sertinoscafe.com
www.sertinoscoffee.com

The franchisee will operate a shop or café which offers ice cream, frozen yogurt, sandwiches, specialty coffee, and light meal items such as soups and baked goods. The total investment necessary to begin operation of your first Sertinos or All American store franchise is from $242,600 to $760,550. This includes $43,200 that must be paid to the franchisor or its affiliate(s).

This Franchise Disclosure Document ("FDD") summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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 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 C.R. Duffie at 1201 SW 12th Avenue, Suite 415, Portland, OR 97205 and 503-224-6199.

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

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

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

The issuance date: April 1, 2019

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor, about other franchisors, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise.

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION OR ARBITRATION ONLY IN PORTLAND, OREGON. OUT OF STATE LITIGATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE US IN PORTLAND, OREGON THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT OREGON LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR-OWNED OUTLETS, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS.

4. SPOUSES OF FRANCHISE OWNERS WHO SIGN THE FRANCHISE AGREEMENT MAY PLACE THEIR PERSONAL AND MARITAL ASSETS AT RISK.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should make sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

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

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

California	**Date Pending**
Washington	**Date Pending**

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FDD EXHIBITS

1.
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this FDD, the words "All American, company, we, our and us" refer to "All American Specialty Restaurants, Inc.," the franchisor. "You" means the person or entity who buys the franchise. If the franchise is a corporation, partnership, or other entity, "you" includes the franchisee's owners. To fully understand all your and our rights and obligations to each other, you must still carefully review the actual agreements that you will execute. These will control if there is any dispute between us.

The Franchisor's Business and Its Affiliates

We have established and continue to operate and develop a chain of shops known as "All American Ice Cream and Frozen Yogurt Shops®" and Sertinos® Coffee Shops and/or Sertinos® Cafes, which offer food, beverages, and other menu items for a combination of on-premises consumption and carry-out. Each main brand (either All American or Sertinos®) has the opportunity to offer the same products, but the look and feel, emphasis, atmosphere, branding, and positioning to the consumer are different.

For All American Ice Cream and Frozen Yogurt Shops®, there is a frozen dessert emphasis. As for Sertinos®, there is a coffee emphasis for Sertinos® Coffee Shops and an upscale deli/cafe emphasis for Sertinos® Cafes. The franchisee can choose the name (i.e. either an All American Ice Cream and Frozen Yogurt Shop® or a Sertinos® Coffee or a Sertinos® Cafe) and combination of products (i.e. frozen desserts, coffee, and/or deli selections) appropriate to its positioning, demographics, and location. Sertinos® concepts may be combined. However, an All American cannot add a Sertinos® look and feel to its location, and a Sertinos® cannot add an All American look and feel to its location. While a franchisee cannot combine All American and Sertinos® concepts in the same outlet/shop, a franchisee may purchase an additional franchise using any one of the offered concepts and it will be considered an additional store under this FDD (see Item 5) with the execution of an additional franchise agreement.

A Sertinos brand franchisee has the option to serve beer and wine, which option it must exercise at the time the franchise agreement is executed. This right is subject to strict requirements and may be revoked at any time the franchisor feels it is damaging the goodwill of the brand. This beer and wine option is not available for All American brand stores.

We offer a franchise which gives you the right to operate a shop from a single location within a specified territory in accordance with our standards and procedures. The territory size for each store may vary. We reserve the right to sell supplies and equipment to franchisees at a modest profit.

You will compete with similar type shops. The market for your services will be the general public, unless your shop is located at a non-traditional site in which case you may be limited to people frequenting the facility. A "non-traditional site" is a site located in a complex which is its own marketing area, such as a sports complex, an airport, or a shopping mall. This FDD covers both traditional and non-traditional sites. The traditional and non-traditional sites being offered are identical in every way, except a non-traditional site has no protected territory outside of its unique complex (see Item 12).

All American and Parent or Predecessor

We incorporated in Oregon on January 31, 1986. We do business as "All American Ice Cream and Frozen Yogurt Shops®" and/or Sertinos® Coffee and/or Sertinos® Café. In 2017, we purchased a coffee shop in Oregon named Café Aroma but were not permitted by the landlord to change the name to Sertinos, although in all other respects it is a Sertinos outlet. Sertinos Coffee franchise candidates are brought to Café Aroma to see an operating coffee shop since the look and feel and recipes are the same as for Sertinos Coffee. We are not affiliated with any other entity, nor do we have any predecessor entity or parent. The principal business address of All American is 1201 SW 12th Avenue, Suite 415, Portland, Oregon 97205.

Special Industry Regulations

In addition to laws and regulations that apply to businesses generally, the Franchised Business is subject to federal, state and local occupational health and safety regulations, as well as licensing requirements for health permits. You should also be aware of federal, state, and local labor regulations including minimum-age and minimum wage laws. These requirements may apply to your business. The details of these restrictions vary from place to place.

Our Prior Business Experience

We have operated, offered and sold All American Ice Cream and Frozen Yogurt Shops™ since July 1986. The use of Sertinos® was begun in 2006. Except as described above, All American has not offered franchises in any other lines of business. We have never engaged in or offered franchises in any business other than offering and selling All American Ice Cream and Frozen Yogurt Shops™, All American Deli Ice Cream® and design franchises (no longer available), and/or Sertinos® Cafes and/or Sertinos® Coffee Shops, plus Café Aroma as described above (trade name not available as an option under this FDD). We are not affiliated with any other entity. We currently have, as of December 31, 2018, a total of 13 Shops in operation, 10 of which are franchised and three of which are company operated.

Agent For Service Of Process

Our agent for service of process is disclosed in **Exhibit A**.

2.
BUSINESS EXPERIENCE

C.R. Duffie, President-Director

Mr. Duffie is a founder of the company and has been its President and Director in Portland, Oregon, since it was formed in January 1986.

Michael J. Licurse, Secretary

Mr. Licurse joined All American in Portland, Oregon, as its Secretary in January 2015. He is an attorney and a partner at Wyse Kadish LLP in Portland, Oregon, who has engaged in the practice of law since 2004.

Cliff Hilton, Franchise Sales Manager

Mr. Hilton is the Company's Franchise Sales Manager. Since June 2005, Mr. Hilton and his wife have owned and operated a Sertinos Café in Beaumont, Texas. From March 2016 through February 2019, they also owned and operated a Sertinos Coffee Shop in Beaumont, Texas, before it was sold to another franchisee. From May 2007 until April 2017, Mr. and Mrs. Hilton were area developers for All American franchises for the majority of the State of Texas, as well as the subfranchisor for several All American stores in Texas. In February 2019, he joined All American to oversee the sales of franchises.

Rich Director, Operations Manager

Mr. Director joined All American in January of 2019 as the company's Operations Manager. From May 2011 to November 2017 he was the Director of Operations for Premier Ventures Inc., a small full-service restaurant group in Denver, Colorado. Then he moved to Portland, Oregon, where he was the District Manager for Northwest Group Inc, a regional Jack in the Box franchisee, through December 2018. Overall he has 30 plus years of experience of ownership and management in the restaurant industry. Mr. Director is responsible for the All American company owned stores as well as the franchised restaurant stores. He also oversees franchise training, new store openings, and store visitations.

Jennifer Ginsbach, Company Shops Operations Manager

Ms. Ginsbach joined the company in May of 2018 as the Company Shops Operations Manager. She has worked in the retail industry for over 20 years. From April 2013 she worked as a Machine Operator for Meggitt Polymers and Composites in McMinnville, Oregon. From March of 2015 to November of 2018, she worked for Fred Meyer, Inc., Portland, Oregon, in their Starbucks, Deli, and Garden Center. Ms. Ginsbach oversees the daily operations of company owned and operated stores.

3.
LITIGATION

No litigation is required to be disclosed in this Item.

4.
BANKRUPTCY

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

5.
INITIAL FEES

The initial franchise fee for a traditional or "non-traditional" store is the same for: an All American Ice Cream and Frozen Yogurt Shop® or a Sertinos® Coffee Shop or a Sertinos® Cafe. The initial franchise fee for one All American® or Sertinos® store is $35,000. The franchise fee for a second All American® or Sertinos® store is $27,000, and the franchise fee for a third or each additional All American® or Sertinos® store is $23,000. The Initial Franchise Fee is calculated on a uniform basis for all franchises, no matter which brand.

The Initial Franchise Fee is payable in a lump sum upon signing of the Franchise Agreement attached hereto as Exhibit B. It is earned at the time the Franchise Agreement is signed and is not refundable under any circumstances.

In addition to the above, the pre-opening startup package of required reporting forms purchased from All American will cost up to $700 per store and grand opening advertising funds of $7,500 per store must be paid directly to All American to be spent on advertising on the franchisee's behalf, both nonrefundable.

The formula for calculating initial fees is as follows:

Cumulative Number of Stores for Any of the Three Brands	All American® or Sertinos® Initial Franchise Fee plus Additional Required Opening Items
First Store	$43,200
Second Store	$35,200
Third and successive stores	$31,200 each

The Company is a member of the International Franchise Association and participates in the IFA's VetFran Program, which provides a 10% discount on initial franchise fees to veterans of U.S. armed forces who have left the military within twelve (12) months of entering into a franchise agreement and who otherwise meet the requirements of the VetFran program.

6.
OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Continuing Royalty	6% of total gross sales with a minimum monthly payment of $375 per month, which is payable if franchise does not open for business within 180 days after location approval or signing of the Franchise Agreement, whichever last occurs.	The first payment is due with the later of 180 days after signing the Franchise Agreement or location approval. Subsequent payments payable weekly via electronic funds transfer.	You must sign documents that allow us to automatically take this fee out of your business bank accounts each period via electronic funds transfer based upon your required reports of gross sales. Also see Note 1.
Marketing Fund	1% of total gross sales of franchisor products and services	Payable weekly via electronic funds transfer.	You must sign documents that allow us to automatically take this fee out of your business bank accounts each period via electronic funds transfer based upon your required reports of gross sales. Also see Note 2.
Promotional Items	The cost will be $250 or less	Within 30 days after billing	Franchisees may be required to purchase special promotional items.
Manual Replacement	$500	Within 30 days after billing	
Late Payment	18% per annum or highest amounts allowed by state law	When payment is overdue	The highest interest rate allowed in California is 10% per annum. Also see Note 3.
Non-Sufficient Funds	$50 for NSF payments	Immediately	See Note 4.
Disputes	Attorneys' fees are due to the prevailing party in any disputes	Within 30 days after billing	
Initial Training	No charge for first two people but you pay expenses	Before training begins	Additional people may attend on a space available basis
Additional Training Courses	We reserve the right to charge a per diem and receive reimbursement for expenses.	Before training begins	See Note 5.

Name of Fee	Amount	Due Date	Remarks
Additional Training At Your Site After Opening	$150 per person/per day	Within 30 days after billing	See Note 6.
Transfer	The greater of: (i) 50% of the then-current franchise fee; or (ii) a sum equal to the cost of training a new franchisee (which is presently $10,000) plus franchisor's travel costs and other direct expenses related to a transfer. Upon request, a training deposit of $10,000 may be required.	Before transfer is effective	See Note 7.
Renewal	25% of initial franchise fee	Before renewal is effective	See Note 8.
Supplier Approval	Actual cost plus $500 administrative fee	Fee due with application; costs net 30 after billing	See Note 9.
Audit	Actual cost of audit plus interest on overdue amounts	Within 30 days after billing via electronic funds transfer (ACH)	See Note 10.
Insurance	Amount of unpaid premiums after opening	Upon demand	See Note 11.
Indemnification	Franchisee's liability	When incurred	See Note 12.
POS Software License Fee	$12,000 to $14,000	On demand	See Note 13.

All of the fees listed above are imposed by and payable to All American. All fees are nonrefundable and uniformly imposed.

Notes:

1. *Continuing Royalty.* "Gross sales" includes all revenue of the franchised business from any source exclusive of sales tax. All American allows you to deduct refunds and promotional discounts to customers and discounted employee purchases if you follow the instructions in the All American Confidential Operations Manual (the "Operations Manual") for reporting them. All American also allows you to deduct from gross sales any amounts that you collect and transmit to state or local authorities as sales or use taxes.

Failure to submit required reports and/or payments will be cause for default under the Franchise Agreement. When there is a default, All American reserves the right, in addition to other remedies hereunder, to direct suppliers to withhold furnishing the company's proprietary products and/or services sold under the company's distribution agreements with distributors and/or under the company's name.

The royalty due from franchisee varies if franchisee ceases to do business. If there is a 90 day notice of a termination, the minimum fee will remain at $375 per month until the end of the term or until a replacement franchisee is found. However, if a 90 day notice of termination is not received, the minimum royalty due for the first 3 months after ceasing to do business is an additional $300 per month, or $675 per month total, to reimburse franchisor for the disruption caused with distributors, suppliers, landlords and other entities involved in the All American business. Franchisee must also reimburse franchisor for the cost of any advertising or expenses related to acquiring a replacement franchisee for the territory.

2. *Marketing Fund.* Currently, you must contribute 1% of gross sales to the Marketing Fund. All American will also pay 1% of the gross sales for its company owned shops into the Marketing Fund. The costs of producing any marketing or printed material to be used shall be paid from the Marketing Fund. The balance will be spent in a manner determined by All American, in its sole discretion. You must also spend a reasonable amount on local advertising and promotion. Sums spent for local advertising and promotion are not considered payments to the Marketing Fund. All American's requirements in this regard shall be uniform with respect to all franchisees in the same marketing area. Each franchisee must furnish All American with reports relative to local advertising and promotion at such time and on forms containing such information as may be required by us. All American requires you to spend at least 2% of annual sales in local advertising to promote business at your store. The company reserves the right to increase this percentage amount uniformly to all franchisees with written notice. If approved by 51% of the total number of operating franchise stores, you must participate in the cost and promotional discount(s) of co-operative advertising programs to the benefit of the system and your store as planned by All American.

3. *Late Payment.* If you fail to pay your royalty or marketing fees by the due date, you are subject to a late fee of $150 for that month. If your payments are more than 30 days late, we may charge interest at the rate of 18% per month from the date due until the date paid or the highest percentage required by State Law, which ever is the greatest.

Failure to make timely payments of any type will be cause for default under the Franchise Agreement. When there is a default, All American reserves the right, in addition to other remedies hereunder, to direct suppliers to withhold furnishing the company's proprietary products and/or services sold under the company's distribution agreements with distributors and/or under the company's name.

4. *Non-Sufficient Funds.* All American may charge $50 for NSF payments.

5. *Additional Training.* We reserve the right to (i) charge you a per diem for special continuing training courses; and (ii) require you to reserve places in each training class and to pay a deposit in connection with reservations, which may be refunded, applied toward the training fee, or retained as a cancellation fee. We may charge a fee for materials used in connection with training. We also will charge the indicated fee for a change in concept.

6. *Additional On-Site Assistance.* We provide on-site assistance for a reasonable period of time when you open for business at no charge. We provide additional on-site assistance at your request, subject to the availability of All American's personnel, and subject to a charge of $150 per person/per day.

7. *Transfer.* We charge a transfer processing fee even if you just transfer your franchise to a corporation owned solely by you. There are other conditions for transfer (see Item 17). The charge is the greater of 50% of the current franchise fee or the franchisor's out of pocket expenses which include training costs, travel costs, attorneys fees, and the like, incurred to effect a transfer. A training deposit of $10,000 may be required.

8. *Renewal.* When you renew your franchise, we charge a renewal fee equal to 25% of the then-current franchise fee paid for the franchise. There are other conditions for renewal (see Item 17 of this Franchise Disclosure Document), including execution of the current Franchise Agreement.

9. *Supplier Approval.* We reserve the right to charge a fee for reviewing a proposed supplier of any goods to be used in connection with the franchise. You or the supplier must submit up to $500 administrative fee with the application. If All American determines that it is necessary to inspect the supplier's facilities or conduct tests, you or the supplier must pay All American's actual costs incurred for inspection and testing.

10. *Audit.* If All American audits your business and finds that you have under-reported gross sales by 2% or more, or that you have underpaid royalty or marketing fees by 2% or more, you must pay the costs of the audit. All American estimates current audit costs at $600 per day, plus travel to and from the location. You must pay interest on past due amounts (see Note 3 above).

11. *Insurance.* This is payable to us only if you fail to maintain the required insurance coverage and we elect to maintain the required insurance coverage for you.

12. *Indemnification.* You must reimburse the company for any losses and reasonable costs of defending any claim brought against us.

13. *POS Software License Fee.* If you are opening a Sertinos Café, you must pay MICROS Systems, Inc. a license fee for the software that you are required to use in your shop. Currently this is $12,000 to $14,000, but the licensor reserves the right to change the fee. If you are opening an ice cream and/or coffee shop concept, you will use Square POS instead, where there is no direct software charge, as it is included in the price when you purchase their hardware, utilize their software programming, and pay their per-transaction processing fees (generally 2.75% for each credit card transaction).

7.
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT:

Type of Expenditure	**Amount**	**Method of Payment**	**Due Date**	**To Whom Payment is to be Made**
Initial Franchise Fee[1]	$35,000	See Note 1	Upon Execution of the Franchise Agreement	All American
Real Property/Rent[2]	See Note 2	See Note 2	Monthly	Landlord
Equipment, Fixtures[3]	$55,900 - $122,700	As Incurred	Before Opening	Vendors, Contractors
Leasehold Improvements[4]	$98,000 - $512,400	As Incurred	Before Opening	Vendors, Contractors
Opening Inventory, Small Wares and Uniforms[5]	$10,000 - $16,000	As Incurred	Before Opening	Suppliers (plus occasionally from Franchisor- see Note 5)
Supplies[6]	$800 - $4,500	As Incurred	Before Opening	Suppliers or Franchisor (see Note 6)
Deposits, Prepaid Expenses, Utilities[7]	$1,600 - $3,800	As Required	Before Opening	Suppliers, Utilities

Type of Expenditure	Amount	Method of Payment	Due Date	To Whom Payment is to be Made
Business Licenses, Permits[8]	$4,900 - $11,750	Lump Sum	Before Opening	State & Local Agencies
Insurance[9]	$1,300 - $2,000	As Incurred	Before Opening	Insurance Company
Training Expenses[10]	$3,800 - $4,600	As Incurred	Before Opening	Employees, hotel, etc.
Miscellaneous Expenses[11]	$800 - $1,600	As Incurred	As Required	See Note 11.
Additional Funds[12]	$20,100 - $23,400	As Incurred	As Required	See Note 12.
Grand Opening Advertising[13]	$7,500	See Note 13	Upon Execution of the Franchise Agreement	All American
Computer System and POS[14]	$2,900 - $15,300	As Incurred	As Required	Suppliers, Square or MICROS Systems, Inc.
TOTAL	**$242,600 – $760,550**			**See Note 15.**

The above is the Initial Investment For Single Unit Of Any Of An All American Ice Cream And Frozen Yogurt Shop®, A Sertinos® Coffee Shop, And A Sertinos® Café, whether traditional or non-traditional.

All figures in Item 7 are estimates only. Actual costs will vary for each franchisee and each location depending on a number of factors.

Notes:

1. *Franchise Fee*. The franchise fee is $35,000 for your first standard franchise store, $27,000 for your second franchise store, and $23,000 for your third franchise store (and each store thereafter). See Item 5 of the Franchise Disclosure Document for additional information about the initial franchise fee. It is not refundable under any circumstances.

2. *Real Property/Rent*. Real estate costs vary widely from place to place, and All American gives you a range of choices in selecting a Location. Your Location must be in a general area that will allow you to provide services to customers in your territory efficiently and conveniently. You will need between 700 to 2,800 square feet of space for your business. Most All American franchisees find suitable space in a retail district or a regional shopping mall located relatively close to residential areas. Most All American franchisees lease their space, at an average annual rent per square foot ranging from $22 to $220. Most landlords require a security deposit of at least one month's rent. Commercial rental rates vary from place to place.

If you lease a Location, you may incur buildout expenses. You may also incur real estate broker fees, additional prepayments (e.g., last month's rent), "additional rent," common area maintenance (CAM) fees, operating fees, real estate taxes, utilities, promotional funds, advertising funds or other costs, depending on the terms of your lease.

All American is unable to estimate your costs for buying or leasing land and constructing a building as these costs vary widely depending on location and the design and construction of the building.

3. *Equipment and Fixtures*. You will need restaurant equipment and fixtures including such items as display and storage freezers, refrigerators, mixers, sinks, cabinetry, tables, chairs, menu boards, signage and other supplies. You will need a desk, chair, telephone, shelves, files and computers. All American requires you to purchase a personal computer meeting its minimum specifications for use at your franchise store. (See Item 8.) All American requires you to keep financial records and accounting information on this computer using accounting software programs approved by All American and that will provide reports compatible with reports used system wide.

4. *Tenant Improvements*. You may incur costs for buildout of your store. If you lease your location, you may be able to negotiate a construction allowance from the landlord that may cover a portion of the buildout/leasehold improvement expenses. You must use the interior design, food equipment placement design, and architectural services of franchisor preferred consultants, space planners, design contractors, architects, and service providers who are experienced in the construction of All American and Sertinos shops.

5. *Inventory*. You will need an initial supply of inventory, including such items as: ice cream, meats, cheeses, breads, frozen yogurt mix, paper goods, beverages and cleaning supplies. The estimated cost should cover approximately three months of operation. All supplies and inventory must meet the franchisor's standards and specifications, but most are not and can not be purchased directly from All American. All American purchases some supplies in bulk, so it may receive nonrefundable funds from franchisee for the Menu Board Systems purchased from suppliers in the amount of $3,000 if requested.

6. *Office Supplies*. Most are purchased from third parties. You will need miscellaneous forms designated by All American. If you purchase these forms from All American, the price will be at All American's cost for such items plus freight and a modest profit—up to $700, nonrefundable—although All American would prefer to just give you a CD so that you can produce these forms yourself.

7. *Deposits, Prepaid Expenses, Utilities*. The estimate includes deposits that may be refundable to you at a later time. In most cases, your lease will require you to pay electric, gas, water and other utilities directly; however, some landlords cover some utility charges through CAM fees or operating fees (See Note 2 above).

8. *Business License*. You should consult your C.P.A., your lawyer, or your local county and state authorities about the specific legal requirements for business licenses and related types of expenses in your local area.

9. *Insurance Cost.* Insurance costs may vary in different localities. The estimate is for 1 year of liability insurance coverage. If you have employees, you may incur expenses for worker's compensation insurance. All American is unable to estimate amounts for worker's compensation insurance. The requirements and rates vary widely from place to place. All American reserves the right to require additional types of insurance and coverage as provided under the Franchise Agreement.

10. *Training Expenses.* This estimate does not include additional training fees that would apply if you decide to send more than two people to the initial training course (see Item 5 of the FDD). For training requirements generally, see Item 10 of the FDD. The estimate includes auto mileage within 200 miles of Portland, Oregon, the cost of commercial transportation from Chicago and room and board for 5 days.

11. *Miscellaneous Expenses.* Miscellaneous expenses include opening advertising and promotional activities.

12. *Additional Funds.* This is an estimate only of the range of initial start-up expenses you may incur. The actual amount of additional funds you will need depends on a variety of factors, including the size of your territory, the time of year when you start your business, your own

management skill, economic conditions, competition in your area, and other factors. You should not plan to draw income from the operation during the start up and development stage of your business. The basis of additional funds is the projected cost of labor, rent, and food, in excess of startup revenue anticipated, based on 25 years of experience.

The estimate of additional funds is based on an owner-operated business and does not include any salaries or benefits for employees or any allowance for an owner's draw. The estimate is for a period of 6 months. All American estimates that, in general, a franchisee can expect to put additional cash into the business during at least the first 3 to 6 months, and sometimes longer depending on the time of year, but All American cannot estimate or promise when, or whether, any individual franchisee will achieve positive cash flow or profits.

13. *Grand Opening Advertising*. All American requires you to spend at least $7,500 in grand opening advertising and promotional activities within 60 days of your store's grand opening. All American will collect this grand opening advertising fee at the time the franchise agreement is signed. The funds will be put into a separate account and designated solely for grand opening advertising for your store through All American's advertising agency. All American will also contribute $1,000 to this account for advertising your store. This fee is nonrefundable.

14. *Computer System and POS.* If you are opening an ice cream and/or coffee shop concept, you will use Square POS. Currently the cost of a standard two POS Terminal Square system is approximately $2,700 to $4,000. If you are opening a Sertinos Café, you will use MICROS POS, and you must pay MICROS Systems, Inc. a license fee for the required software. Currently this is $12,000 to $14,000, but the licensor reserves the right to change the fee.

15. *Net Worth*. All American will not ordinarily grant a franchise to a prospective franchisee unless it has a net worth of at least $600,000 of which $150,000 is in cash, cash equivalents or securities that can be collateralized, which capital will be required to meet security deposits, insurance requirements, rent deposits, inventory, initial franchise fees, leasehold improvements, restaurant equipment and startup costs, all of which deposits, requirements and costs vary depending upon the parties with whom the franchisee is doing business.

All American will not ordinarily grant a franchise to a prospective franchisee unless the prospective franchisee has made a "Discovery Day" at All American's Corporate Office in Portland, Oregon.

All American has not and does not offer financing arrangements, although All American will, if such is available, introduce you to financial sources and suppliers who may offer credit arrangements. You may obtain financing from any source of franchisee's choice upon such terms and conditions as may be negotiated. All American will not derive income from the placement of financing.

The following expenses are not included: owner's salary, workers' compensation cost, rent, and real estate acquisition cost.

8.
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Approved Suppliers

You must (i) purchase interior design, food equipment placement, and architectural services and (ii) purchase or lease all equipment, inventory, supplies, tools, and other products and materials required for the operation of the Franchised Business solely from suppliers (including distributors, manufacturers, and other sources) who have been approved in writing by All American. Franchisor is not an approved supplier for any product except for the forms necessary to comply with franchisor's reporting procedures (see Sole or Designated Suppliers).

All American maintains written lists of approved items of equipment, fixtures, inventory, and supplies (by brand name and/or by standards and specifications) and lists of approved suppliers for those items. All American updates its lists periodically and issues the updated lists to all franchisees. Franchisees can also refer to the Purchasing & Product Specifications and Equipment sections of the current Operations Manual for this information. All American will furnish its standards and specifications on portions, ingredients, formulae, color, design, style, brand, etc., as well as its criteria for supplier approval, to franchisees or suppliers on request, but only on a confidential basis. This list is not provided to prospective franchisees.

If you desire to purchase any items from an unapproved supplier, you or the supplier must submit a written request to us for approval and our approval must be obtained in writing. We reserve the right to inspect the supplier's facilities and to receive samples from the supplier for testing. We will try to respond to a request for approval within 60 days after completing inspections and testing. (See FDD Item 6 concerning the supplier approval fee). We may occasionally re-inspect the facilities and products of any previously approved supplier and may revoke our approval if the supplier fails to meet any standards and specifications at any time.

Failure to submit required reports and/or payments will be cause for default under the Franchise Agreement. When there is a default, All American reserves the right, in addition to other remedies hereunder, to direct suppliers to withhold furnishing the company's proprietary products and/or services sold under the company's distribution agreements with distributors and/or under the company's name.

Approved suppliers do not make payments to franchisor and are not affiliated with franchisor. Periodically, the franchisor will negotiate contracts with suppliers for the benefit of franchisees such as for frozen yogurt mix, ice cream, meats, cheeses, breads, coffee beans and paper/disposable goods. There is no inducement to franchisees to use designated or approved sources, except it is a requirement. There are no distribution cooperatives.

Sole or Designated Suppliers

You must buy all your ice cream, frozen yogurt mix, frozen dessert mix, glace, toppings, bread, coffee, produce, paper goods, cones, proprietary food products, and napkins from these designated suppliers (see Approved Suppliers above). Other than that, you are not obligated to purchase or lease from any sources designated by All American except as described below.

Sole or designated suppliers do not make payments to franchisor.

Franchisor is not the sole approved or designated supplier for any product except for forms necessary to comply with franchisor's reporting procedures, which are estimated to cost a franchisee a maximum of $700 per year or less (once the forms are purchased, with our permission, most franchisees photocopy the originals for use when additional forms are needed).

This is also a cost-saving benefit to the franchisee. $889 was received by the franchisor from these required expenditures in the fiscal year ended December 31, 2018, which represents less than 1% (approximately 0.1%) of our total revenues of $939,474.

Franchisor purchases some supplies in bulk, so it may receive funds from you for the Menu Board Systems purchased from suppliers in the amount of $3,000 if requested. This is not a required direct purchase and is offered to the franchisee as a cost-saving benefit.

Other than these revenues, franchisor presently derives no other revenues, rebates, or other material consideration from required expenditures (including purchases and/or leases). No officer of franchisor presently owns an interest in any supplier.

You must build and equip your store according to our standards and specifications on layout, design, appearance, and equipment as provided in the Operations Manual, which will be confidentially provided to you upon becoming a franchisee. While specific details are not provided to prospective franchisees, the franchisor websites referenced throughout this FDD may be consulted for a broad overview of the store design and construction processes. We estimate that approximately 50% of your expenditures will be for leases and purchases in establishing your business in accordance with standards and specifications and approximately 15% on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is for which suppliers must be approved by us, or which must meet our standards or specifications). We have other approved suppliers for these purchases whose names we will furnish to you on request.

Records

All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to our requirements and must be maintained in accordance with our system standards. A year end statement must be furnished from a CPA certified to be correct.

Computer Equipment and Software

Sertinos Cafés

For Sertinos Cafés, MICROS Systems, Inc. has been selected by us as the official designated provider for the required Point-of-Sale Computer System. This system provides functionality for Cash and Credit Card transactions with full detail sales reporting for the store owner and franchisor (automatically emailed daily), Electronic Time clock and Credit Card Authorization through a wide variety of processors of your choice. (Optional functionality may provide Gift Card applications, Labor Scheduling, Kitchen Display Systems, Drive-Thru functionality and Internet reporting options for Multi-store operators). Contact MICROS at 800-628-2274 with any questions.

Ice Cream and/or Coffee Shops

Square POS, in most cases, is the required Point-of-Sale Software for All American Ice Cream & Frozen Yogurt Shops and Sertinos Coffee Shops. Square has been designated by All

American as the official POS provider for these two concepts. It provides the ability to accept cash and credit card transactions, electronic time clock, optional payroll functionality, and full detailed reporting for the franchisee and All American. If you have questions, you may contact Square directly Monday through Friday 6:00 AM - 6:00 PM PST at 855-700-6000.

Franchisee must provide electronic reporting of daily sales from franchisee's computer based POS system. The software system allows franchisor to do this automatically.

9.
FRANCHISEE'S OBLIGATIONS

These tables list your principal obligations under the franchises and other agreements. They will help you find more detailed information about your obligations in these agreements and in other items discussed in this FDD.

FRANCHISE AGREEMENT ("FA")

Obligation		Section in Agreement	FDD Item
a.	Site selection and acquisition/lease	FA § 2 and 5	Item 11
b.	Pre-opening purchases/leases	FA § 5 (5.1 and 5.2) and 7	Item 8
c.	Site development and other pre-opening requirements	FA § 5 (5.1 and 5.2) and 6	Item 6, 7 and 11
d.	Initial and ongoing training	FA § 11 and 12	Item 11
e.	Opening	FA § 7	Item 11
f.	Fees	FA § 3	Items 5 and 6
g.	Compliance with standards and policies/ Operating Manual	FA § 9 and 13	Items 8 and 11
h.	Trademarks and proprietary information	FA § 1; Confidentiality Agreement (**Exhibit C**)	Items 13 and 14
i.	Restrictions on products/services offered	FA § 13, 14, and 17	Item 16
j.	Warranty and customer service requirements	FA § 13	Item 11
k.	Territorial developments and sales quotas	FA § 2	Item 12
l.	Ongoing product/service purchases	FA § 13	Item 8

Obligation		Section in Agreement	FDD Item
m.	Maintenance, appearance and remodeling requirements	FA § 14	Item 11
n.	Insurance	FA § 19	Items 6 and 7
o.	Marketing	FA § 8, 13, and 14	Items 6 and 11
p.	Indemnification	FA § 15 and 19 (including 19.2)	Item 6
q.	Owner's participation/ management/ staffing	FA § 12	Items 11 and 15
r.	Records and reports	FA § 3.2, 9, and 10	Items 6 and 8
s.	Inspections and audits	FA § 13	Items 6 and 11
t.	Transfer	FA § 20 (including 20.2) and 25	Item 17
u.	Renewal	FA § 22 (including 22.1.8)	Item 17
v.	Post-termination obligations	FA § 23, 24 (including 24.8), 26, and 27	Item 17
w.	Noncompetition covenants	FA § 21 and 27	Item 17
x.	Dispute resolution	FA § 28	Item 17
y.	Other - attorney fees - cost of replacing manual	FA § 28.12 FA § 28.13	Item 7 Item 7

10. FINANCING

All American does not, either directly or indirectly, offer any financing arrangements to new franchisees. All American does not receive any direct or indirect payments for placing financing, nor does All American guarantee your obligations to third parties.

All American does not guarantee the lease obligations to third parties, specifically landlords. All American does not guarantee any notes.

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

Except as listed below, All American need not provide any assistance to you.

Pre-Opening Obligations

A. We have the following obligations to you immediately upon signing the Franchise Agreement. We provide a list of approved suppliers and specifications; we do not directly participate in selling, delivering, or installing the below named items:

1. Provide standards for locations and guidance in the selection of a Location. (Franchise Agreement, § 2.1, Page 3 and ASA, Exhibit B, Page 14) .

2. Provide standards and specifications for the layout, design, appearance and equipment of the Location. (Franchise Agreement, § 4.1, Page 5 and § 6, Page 6 and ASA, Article III F, Pages 4 and 5).

3. Provide lists of approved items of equipment, fixtures, inventory, tools, and supplies (by brand name and/or by standards and specifications) and lists of approved suppliers for those items. (Franchise Agreement, § 4.1, Page 5 and § 6, Page 6 and ASA, Article III F, Pages 4 and 5). See Item 8 for computer requirements.

4. Provide an initial supply of forms and marketing materials and standards and specifications for stationery and other printed materials required to be used in the Franchise Business. (Franchise Agreement, § 8.3, Page 8 ASA, Article III F, Pages 4 and 5).

5. Grant the license of and use on loan of All American's Operations Manual and other manuals and training aids designated by All American for use in the system, as they may be revised by All American occasionally, subject to the provisions of Article 4 of the Franchise Agreement. (Franchise Agreement, § 4.1, Page 5 and ASA, Article III B, Page 3). You must comply with the manual.

B. We have the following obligations to you after you have signed the Franchise Agreement:

1. Provide initial training of you and your employees, at times and locations designated by All American. (Franchise Agreement, § 12.1, Page 10 and ASA Article III, Pages 2, 3 and 4).

2. Provide advice and guidance in preparing to open the Franchised Business, including standards and procedures for obtaining inventory and supplies, providing approved services, advertising and promoting the business, and operating the business (Franchise Agreement, § 7, Page 7).

3. Work with our advertising agency to execute its grand opening advertising and marketing plan using the $7,500 grand opening fee collected from you plus the $1,000 contributed by All American (Franchise Agreement, § 8.5, Page 9).

C. We have the following obligations to you after opening which are funded by royalties:

1. On reasonable request, limited on-site assistance after the opening of the Franchised Business. (Franchise Agreement, § 12.2, Page 10).

2. Access to continuing courses of training at times and locations designated by All American. (Franchise Agreement, § 12.2, Page 10, ASA, Article III, Pages 2,3, and 4).

3. Inspections of the Franchised Business, as All American deems advisable. (Franchise Agreement, § 11.8, Page 10).

4. Updated lists of approved items of equipment, fixtures, inventory, and supplies (by brand name and/or by standards and specifications) and updated lists of approved suppliers for those items. (Franchise Agreement, § 11, Page 10).

5. Periodic advice and guidance through meetings, printed materials and/or other media, as All American makes available to all franchisees in the system periodically. (Franchise Agreement, § 11, Page 10).

6. Changes, improvements and developments in the system and the products and services offered under the system, as All American makes available to all franchisees. (Franchise Agreement, § 11, Page 10).

7. Written or recorded materials (such as newsletters, bulletins, etc.) as All American makes available to all franchisees. (Franchise Agreement, § 11, Page 10).

8. Other resources and assistance as All American may in the future develop and offer to All American franchisees. (Franchise Agreement, § 11, Page 10).

9. All American's individualized assistance to any franchisee (whether in person or by telephone, email, fax or mail) is subject at all times to availability of All American's personnel and a reasonably timed request. (Franchise Agreement, § 11, Page 10).

Advertising/Marketing Programs

All American provides marketing materials and services to you through a marketing fund (the "Fund"). The Fund hires an advertising agency in Oregon to create national marketing programs and materials. Materials provided to all franchisees include mats, posters, banners, and miscellaneous point-of-sale items. You must pay the costs of the material. In the fiscal year ended December 31, 2018, 94% of the Fund was used for production purposes, with 0% used for media placement, 0% for administration, and 6% for other uses (such as shipping). No advertising funds (0%) are used to solicit new franchise sales. Any sums collected but not used in the fiscal year will be used in subsequent years consistent with the expenditures described above.

Upon execution of the franchise agreement, you must submit $7,500 to All American to be used for grand opening advertising and promotional activities within 60 days of your store's grand opening. The funds will be put into a separate account and designated solely for grand opening advertising for your store through All American's advertising agency. All American will also contribute $1,000 to this account for advertising your store. All American will provide you with an accounting of the use of these funds in a timely manner.

You may develop advertising materials for your own use at your own cost. You may not use any advertising materials, including electronic media and/or the Internet, unless they have been approved in advance in writing by All American, which approval will be based largely on complying with our requirements concerning format, content, and media, which will be confidentially provided to you in the Operations Manual upon becoming a franchisee.

Aside from the grand opening funds, All American does not provide for placement of advertising on behalf of franchisees, and is not required to do so. Franchisees are responsible for local advertising placement. All American reserves the right to use marketing fees from the All American system to place advertising in national, regional or local media (including broadcast, print, or other media) at any time in the future.

The Fund administers the collection and expenditure of marketing fees from all franchisees (see Item 6). Each company owned store of All American contributes to the Fund on the same basis as franchisees. All amounts paid into the Fund must be expended for advertising, promotion, and marketing of goods and services provided by All American businesses.

You must spend at least 2% of annual sales in local advertising to promote business at your store. The company reserves the right to increase this percentage amount uniformly to all franchisees with written notice.

There is no advertising council composed of franchisees. However, if approved by 51% of the total number of operating franchise stores, you must participate in the cost and promotional discount(s) of co-operative advertising programs to the benefit of the system and your store as planned by All American. All American does not have the power to require a cooperative to be formed, changed, dissolved or merged. To date, there has been no such approval.

The Fund is administered by All American's accounting and marketing personnel. An annual unaudited financial statement of the Fund is available to any franchisee upon written request. You may also be required to participate in promotional and/or cooperative advertising programs if established by us.

All American Confidential Operations Manual

Upon request, we will permit you to view the Manual at All American's headquarters or elsewhere as arranged before you purchase the franchise. To protect the confidentiality of the

Manual, you must execute a Confidentiality Agreement (see **Exhibit C**). Attached to **Exhibit D** is the Table of Contents of the Operations Manual, which has a total of 323 pages.

If, and when, the Operations Manual at your store is lost or requires replacement for any reason other than normal wear and tear, All American will charge you $500 (adjusted for inflation) and you will pay $500 to replace the manual.

Location Selection

You must operate the Franchised Business only at and from a single location (the "Location") acceptable to All American. You must submit a location approval application to All American describing the proposed location. All American will respond either in written or telephonic form within 10 days, either accepting or rejecting (with reasons) the proposed location. Franchisor and franchisee must agree on an approved site within 12 months of signing the Franchise Agreement, and this location approval period may be extended for additional 12 month location approval periods at franchisor's option. If you and All American cannot agree on an acceptable location, All American may terminate the franchise. Our assistance and evaluation and any information given does not constitute a warranty or representation of any kind as to the potential success of a location.

You may not change your Locations except in accordance with the requirements of Section 2 of the Franchise Agreement. If, through no fault of your own, you are unable to continue to occupy your Location (for example, because of the expiration of a lease or the destruction of all or a substantial part of the premises), you have the right to relocate, provided that, promptly upon learning that the existing location must be closed, you notify All American in writing and request permission to relocate. In any other cases, if you want to relocate, you may do so only with the prior written consent of All American, which All American in its sole discretion may withhold. The selection and construction of any new location will be subject to the system requirements in effect at that time, as provided in the Operations Manual.

The factors that All American considers in evaluating sites include: general location and neighborhood, distance from neighboring franchise territories, proximity to major roads and residential areas, traffic patterns, lease terms, and demographic characteristics of the area. *Our assistance and evaluation and any information given does not constitute a warranty or representation of any kind as to the potential success of a location.*

Time Before Opening

Franchisee agrees to construct the improvements to the Franchised and to open same for business within 180 days after (i) the date of this Franchise Agreement or (ii) the date of approval of a Franchised Location by franchisor, whichever last occurs. Provided, however, if franchisee is not able to open for business within said time period due to causes beyond franchisee's control, then the date on which the Franchised Unit shall be required to be opened for business shall be extended for such additional time as such cause or causes shall delay the opening, provided that in no event shall such time be extended for more than 90 days without first obtaining the written consent of the franchisor. If franchisee fails to open the Franchised Unit for business within the original time as extended, then franchisee shall pay to franchisor the minimum continuing royalty fee of $375 per month until the Franchised Unit is opened. In the event that such failure to open on schedule shall continue for more than the 90 day extension period, franchisor shall have the right to terminate this Agreement and select a new franchisee.

The typical length of time between signing the Franchise Agreement and opening for business is 180 days. Factors that will affect the length of time it takes you to open for business include: your ability to obtain a lease, financing, zoning or other permits; compliance with local ordinances and restrictions; weather conditions; availability, delivery and installation of fixtures, signs and equipment, and completion of required training.

Training Programs

All American's initial franchise management training program is available to all franchisees and their employees. Before you open for business, at least one representative of the franchisee and the shop manager must attend and complete the initial franchise management training program to the satisfaction of All American.

All American's initial franchise management training program, which is mandatory, is conducted at All American's offices and at the franchisee's site. The initial franchise management training program is generally 5 days of classroom in Portland, Oregon, and up to 15 days in-store, depending on the experience of the franchisee and the brand concept(s) to be utilized. Assuming that you have no previous experience, the initial franchise management program will last for 10 days, of which 5 days are devoted to classroom work. The initial training program uses the Operations Manual developed by All American and other written materials provided by approved vendors.

All American recommends, but does not require, that each individual franchisee attend the management training program. As an alternative, you may also designate a non-owner Manager, who must be acceptable to All American, to attend the management training program. All American provides initial training at no charge for up to two persons representing the franchisee. All American may require any other principal or employee of the franchisee who is (or later becomes) actively involved in the management of the Franchised Business, to attend and satisfactorily complete all initial training programs as All American may require. There is no additional required training, except for this, however.

All American maintains a formal training staff. Training will be provided by or under the direction of Rich Director (over 30 years in the industry and less than a year with the company), whose experience is further described in Item 2 above. Other employees of All American may also participate in providing training to franchisees and their employees, as follows:

C.R. Duffie	Marketing and advertising; over 30 years in industry and with the company
Jennifer Ginsbach	Training and backroom operations; over 20 years in the industry and one year with the company

The initial classroom management training program is conducted at All American's offices. There is on site training for the week relative to the grand opening. The training includes instruction in these subjects:

THE TRAINING PROGRAM

Subject	Hours in Classroom	Hours in On-the-Job Training	Location
Starting the business	6 to 8 hours	0 hours	Portland, Oregon
Operations	24 to 32 hours	8 to 16 hours	Portland, Oregon
Marketing	6 to 8 hours	6 to 8 hours	Portland, Oregon
Grand Opening	0 hours	56 to 80 hours	On site

All American also may offer additional or refresher training courses periodically. Some of these courses may be mandatory, and some may be optional. These courses may be conducted at All American's headquarters or at any other locations selected by All American. You must attend (or cause your Manager or other employees to attend) and satisfactorily complete all mandatory training programs, including basic and advanced training, refresher courses, meetings and seminars, as All American may require periodically. If you or any of your employees are unable to complete a required program satisfactorily, you may designate a substitute trainee acceptable to All American.

You or your employees will be responsible for all personal expenses in connection with all training programs, including costs and expenses of transportation, lodging, meals, and wages and employee benefits. All American reserves the right to impose reasonable charges for training materials in connection with advanced training courses. All American will notify you of any additional charges before you or your employees enroll in a course. The fees for any advanced training courses are approximately $2,500.

All classes are scheduled by advance written notice to all franchisees. Scheduled classes may be cancelled. All American's class cancellation policies will be included in the written notice of class schedules.

Computer Equipment

If you are required to use the Point-of-Sale Computer System from MICROS Systems, Inc. (for Sertinos Cafés), the estimated cost of purchasing the computer system and POS will range from $12,000 to $14,000. The annual license fee is approximately $800 per store. The MICROS POS system generates daily, weekly, and monthly gross sales, net sales, sales by item, and estimated labor reports. We will have independent access to the data collected.

For franchisees using Square POS (for ice cream and/or coffee shop concepts), currently the cost of a standard two POS Terminal Square system is approximately $2,700 to $4,000, and there is no additional direct software charge for Square, as it is included in the price when you purchase their hardware, utilize their software programming, and pay Square's per-transaction processing fees (generally 2.75% for each credit card transaction).

For consistency of reports purposes, franchisee must use an Excel Spreadsheet Program, with templates developed by franchisor using Microsoft software, which generates monthly food cost analysis reports. There is no charge for the templates, and since PC-style computers typically come with Microsoft Office (including Excel) already installed, additional expense for this software over the cost of the basic computer system is unforeseen.

There are no contractual obligations of the franchisee to upgrade or update any system during the term of the franchise, and there is no foreseen or contractual annual cost of any optional or required maintenance, updating, upgrading, or support. As technology improves and in order to remain compatible with the System, franchisees may wish to upgrade the computer system every few years, but with no predictable or contractual regularity or requirement.

12.
TERRITORY

Any of the territories for each of the traditional site concepts typically consists of a population of 20,000 or more persons contained within a circle within a one and one half mile radius. Traditional sites are protected, except for non-traditional sites within them. A non-traditional site located within a regional shopping mall, a sports complex, an airport, or similar facility is considered to be a protected territory by itself regardless of the population surrounding the complex. Your territory remains the same even if the population changes during the term of the franchise. Your franchise entitles you to operate only at and from one location within your territory. You may solicit sales only from customers who are located within your territory (except in connection with local and national advertising, where advertisement recipients that cannot be easily restricted will not be considered to have been solicited, such as when an advertising channel's most appropriate predetermined area extends past your territory).

The retention of your protected territory is not dependent on sales volumes. As long as you remain in compliance with your Franchise Agreement, All American will not operate or grant franchises for a same All American brand concept or competitive business within your territory (as described in Section 2.1 of the Franchise Agreement), except for franchises in non-traditional sites in complexes such as airports, sports centers, and the like will be granted within a territory and further, retail grocery type products may be sold in the territory. There are no predetermined circumstances allowing for the franchisor to modify the territory.

Because of the exception for non-traditional sites, you will not receive an exclusive territory as defined by franchise law. You may face competition from other franchisees outside your territory, from outlets that we own outside the territory, or from other channels of distribution or competitive brands that we control.

All American has not established other franchises or company-owned outlets selling or leasing similar products or services under a different trade name or trademark; and All American has not any presently formulated plan or policy to do so. Your franchise agreement provides that on termination you may not operate a similar business within 50 miles of an existing All American business (F.A. paragraph 21).

The criteria for allowing a relocation would be: loss of the location by franchisee, an equal or similar site according to franchisor's standards, and finding a location that does not infringe on other franchisees' territories.

You have no contractual rights of first refusal to acquire additional franchises. Franchisor will not accept orders within your territory and if we do so we will pay you 6% of revenues received. Except for coffee beans, franchisor will not sell its products in your territory through other channels of distribution such as the internet, catalogues, telemarketing, or other forms of direct sales, but as stated herein it does reserve the right to sell similar products under different trademarks and concepts. And other franchisees may not sell products in your territory through other channels of distribution such as the internet, catalogues, telemarketing, or other forms of direct sales, as all methods of operation must be approved by franchisor and such will not be allowed.

13.
TRADEMARKS

The Franchise Agreement grants you the right and license to use the following names and marks: "All American Ice Cream and Frozen Yogurt Shops ™," "Sertinos® Coffee," "Sertinos® Cafe," "All American Frozen Yogurt and Ice Cream Shops®," "All American®," and "All American®" and design ("Proprietary Marks"). You must use the Proprietary Marks only in the manner authorized by All American.

All American has a Service Mark registration of its mark, "All American Frozen Yogurt and Ice Cream Shops," with the United States Patent and Trademark Office ("USPTO") on the Principal Register, Reg. No. 2,138,701, Registered February 24, 1998, and Renewed March 10, 2008.

All American has a Service Mark registration of its mark, "All American," with the USPTO on the Principal Register, Reg. No. 2,380,970, Registered August 29, 2000, and Renewed March 6, 2010.

All American has a Service Mark registration of its mark, "All American and design," with the USPTO on the Principal Register, Reg. No. 2,455,012, Registered May 29, 2001, and Renewed March 22, 2011.

All American has a Service Mark registration of its mark, "Sertinos," with the USPTO on the Principal Register, Reg. No. 3,086,756, Registered April 25, 2006, and Renewed December 11, 2015. All American also has a Trademark registration of its mark, "Sertinos," with the USPTO on the Principal Register, Reg. No. 3,177,013, Registered November 28, 2006, and Renewed September 21, 2016.

The franchisor has filed all required affidavits for the above trademarks. There are no effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administrator of any state, or any court relating to the Proprietary Marks. There is no pending infringement, opposition or cancellation. There is no pending material litigation involving the Proprietary Marks.

There are no agreements currently in effect which significantly limit All American's rights to use or license the use of the Proprietary Marks in a manner material to the franchise.

The Franchise Agreement does not contain any provisions under which All American is required protect your right to use the Marks or to defend or indemnify you against any claims or infringement or unfair competition arising out of your use of the Proprietary Marks. You must notify us of the use of, or claims of rights to, any trademark that is identical to or confusingly similar to the Marks. If litigation involving the Proprietary Marks is instituted or threatened against you, the Franchise Agreement requires you to notify All American promptly and cooperate fully with All American in defending or settling the litigation.

We may add to, delete, or modify our Marks. You must accept, use, or cease using, as may be applicable, the Marks, including modified or additional Marks in accordance with our prescribed procedures, policies, rules and regulations whether contained in the Operations Manual, in the Franchise Agreement, or otherwise. You will not be compensated as a result of any discontinuation or modification.

All American has the right to require you to modify or discontinue your use of any of the Proprietary Marks. If All American exercises this right, All American will provide advance notice to all franchisees.

All American has no actual knowledge of either superior prior rights or infringing uses that could materially affect a franchisee's use of the Proprietary Marks in any state.

14.
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents material to the franchise. All printed materials are copyrighted and are considered material. However, you must operate in accordance with our standards, specifications, policies and procedures as set forth in the Operations Manual or otherwise communicated to you. You must treat the information contained in this Operations Manual and any other manuals or supplemental material supplied by us as confidential. The Operations Manual is our property and you may not duplicate, copy, disclose or disseminate the contents of the Operations Manual at any time, without our prior written consent. We have the right to modify or supplement the Operations Manual upon notice or delivery to you. You must keep the Operations Manual current at all times, and upon the termination or non-renewal of your franchise return all Operations Manuals to us.

You may not divulge or use any confidential information concerning our methods or procedures during or after the term of the Franchise Agreement. Information made available to you may not be divulged to any person other than your employees or financial advisors who reasonably need access to such information for purposes of fulfilling their employment or contractual responsibilities. All employees to whom the information, or any of it, is made available shall be informed of this obligation of confidence.

The proprietary "look and feel" of All American® or Sertinos® shops or cafes is our property. You may not duplicate or copy it for any purpose other than operating a shop franchised from us. Further, on termination, the "look and feel" must be modified so that consumers are not confused as to whether or not the location is a franchise of ours. A failure to do so will be considered to be damage to the Proprietary Marks of franchisor, for which Lanham Act penalties and specific performance may be sought at our option. The modification of "look and feel" specifically includes the following:

- discontinuing all use of Marks and related trade names, the use of any and all signs and papers goods bearing said Marks and trade names, or any reference whatever thereto;
- removing all signs and repainting the exterior and redecorating the interior (including repainting, retiling, removal of proprietary artwork and furniture, replacement of laminates and trim work) of the building to the sole satisfaction of franchisor so that in franchisor's opinion it is clear to the public that the location is not part of the franchised system;
- not operating or doing business under any name or in any manner that might tend to give the general public the impression that a franchise agreement is still in force or that the franchisee is connected in any way with franchisor or has any right to the System or the Marks; and
- not making use of or availing itself of any of the trade secrets, methods of operation, or information received from franchisor or disclosing or revealing any such information or any portion thereof to anyone not employed by franchisor or its franchisees.

Upon our request, each Manager and any other employee who has access to any confidential information must sign a written agreement (on our standard form) imposing an obligation of confidence regarding the Operations Manual or other confidential information. If you are a corporation, limited liability company or limited partnership, we may require your shareholders, members and limited partners to sign a similar written agreement.

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

Other than certain obligations under the Franchise Agreement (see Item 9) and your involvement in the Manager provisions explained below, you are not required by the Franchise Agreement to participate personally in the direct operation of your business. However, a single individual who applies for the franchise must be personally responsible for the covenants of the franchise agreement and sign it personally. If there is an agreement with an entity, a principal of the entity must personally guarantee the covenants. A spouse who is not a signer to the Franchise Agreement is not personally responsible under the agreement or asked to sign any guarantees.

You must always have a trained Manager acceptable to All American who has completed the initial franchise management training course and all other training courses required by All American. The designed trained Manager must devote full time to the job. This on-premises Manager is not required to have an equity interest in the franchise.

You must obtain covenants of confidentiality and noncompetition from any persons who have an ownership interest in the franchise, or who receive training and other information under the system. The covenants must be in a form satisfactory to franchisor. (See **Exhibit C** for a sample form acceptable to All American).

16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate in strict conformity with the Operations Manual and other directions given you in writing by the franchisor. The Location may be used only for the operation of the Franchised Business.

You may offer and sell only goods and services we approve.

You must offer all goods and services that All American and its brand concepts designates occasionally which currently are ice cream, sandwiches, specialty coffee and teas, espresso based drinks, salads, frozen yogurt, smoothies, beverages, soup, pastries and candy.

All American may allow some optional goods and services if you are in substantial compliance with all your obligations under your Franchise Agreement. The consent to allow a franchisee to deviate from the Operations Manual for experimental purposes or due to unique circumstances does not allow other franchisees to deviate.

All American reserves the right to designate additional required or optional services in the future and to withdraw any of its previous approvals.

Failure to make timely payments of any type will be cause for default under the Franchise Agreement. When there is a default, All American reserves the right, in addition to other remedies hereunder, to direct suppliers to withhold furnishing the company's proprietary products and/or services sold under the company's distribution agreements with distributors and/or under the company's name.

See Item 8 for more information about your obligations and restrictions.

17.
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists important provisions of the 4 named franchises and related agreements. You should read these provisions in the agreements attached to this FDD.

THE FRANCHISE RELATIONSHIP

Provision		Section in Franchise Agreement	Summary
a.	Term of Franchise	§22	10 years
b.	Renewal or extension of the term	§22	If you are in good standing and have no defaults, upon expiration of your original franchise agreement, you can make application for an additional term of 10 years. You must sign the then-current Franchise Agreement, which may include materially different terms than your original Agreement.
c.	Requirements for you to renew or extend	§22	Renewal means extending the term of the agreement provided the franchisee agrees to modifications of the agreement as determined at the time by the Franchisor. This requires written notice to us, signing a new agreement, and paying a fee equal to 25% of the current initial franchise fees. You must sign the then-current Franchise Agreement, which may include materially different terms than your original agreement.
d.	Termination by you	N/A	You can terminate only if franchisor breaches the Agreement. See 24.8 for related fees.
e.	Termination by All American without cause	N/A	All American can terminate only if franchisee defaults.
f.	Termination by All American with cause	See note 1 below §23	All American can terminate only if franchisee defaults.
g.	"Cause" defined-defaults which can be cured	§23	You have 10 days to cure: Non payment of fees, sanitation problems, non-submission of reports and any other default listed in Section 23.

Provision		Section in Franchise Agreement	Summary
h.	"Cause" defined-defaults which cannot be cured	§23	Non-curable defaults: conviction of felony, repeated defaults even if cured, abandonment, trademark misuse and unapproved transfers.
i.	Your obligations on termination/non-renewal	§ 24	Obligations include complete de-identification and payment of amounts due (also see r, below)
j.	Assignment of contract by All American	§ 20	No restrictions on All American's right to assign.
k.	"Transfer" by you - definitions	§ 20.1	Includes sale or encumbrance of franchise agreement or assets or ownership change.
l.	All American's approval of transfer by franchisee	§ 20.2	All American has the right to approve all transfers but will not unreasonably withhold approval.
m.	Conditions for All American's approval of transfer	§ 20.2	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you and the current agreement signed by new franchisee (also see r, below).
n.	All American's right of refusal to acquire your business	§ 25	All American can match any offer for the franchisee's business.
o.	All American's option to purchase your business	§ 26	Upon termination of shop and 60 days' notice to All American upon disagreement of purchase price, price is subject to arbitration.
p.	Your death or disability	§ 20.7	Franchise must be assigned by estate to approved buyer in 6 months.
q.	Noncompetition covenants during the term of the franchise	§ 17 and § 21	No involvement in competing business anywhere in the U.S.
r.	Noncompetition covenants after the franchise is terminated or expires	§ 21 and 27	No competing business for 2 years within 50 miles of another operation using any proprietary marks (including after assignment).
s.	Modification of the agreement	§ 28.6	No modifications generally but Operations Manual subject to change.

Provision		Section in Franchise Agreement	Summary
t.	Integration/merger clause	§ 28.6	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u.	Disputes resolution by arbitration or mediation	§ 28.4	Arbitration must be in Portland, Oregon, subject to preemption of law of state of franchise.
v.	Choice of forum	§ 28.4	Arbitration must be in Portland, Oregon subject to preemption of law of state of franchise which may afford additional rights.
w.	Choice of law	§ 28.4	Oregon law applies, however, the state law of the franchisee may preempt Oregon law which will afford the franchisee additional rights
x.	Miscellaneous	N/A	N/A

18.
PUBLIC FIGURES

All American does not use any public figures to promote its franchise.

19.
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting C.R.

Duffie, President, at 1201 SW 12th Avenue, Suite 415, Portland, OR 97205, 503-224-6199, the Federal Trade Commission, and the appropriate state regulatory agencies.

20.
OUTLETS AND FRANCHISEE INFORMATION

TABLE 20.1
SYSTEMWIDE OUTLET SUMMARY
FOR FISCAL YEARS ENDING DECEMBER 31, 2016/2017/2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	14	12	-2
	2017	12	13	+1
	2018	13	10	-3
Company Owned	2016	2	2	0
	2017	2	3	+1
	2018	3	3	0
TOTAL OUTLETS	**2016**	**16**	**14**	**-2**
	2017	**14**	**16**	**+2**
	2018	**16**	**13**	**-3**

TABLE 20.2
TRANSFERS OF FRANCHISED OUTLETS
FOR FISCAL YEARS ENDING DECEMBER 31, 2016/2017/2018

Year	Number of Transfers
2016	**0**
2017	**0**
2018	**0**

TABLE 20.3
STATUS OF FRANCHISED OUTLETS
FOR FISCAL YEARS ENDING DECEMBER 31, 2016/2017/2018

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
California	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	1	0
	2018	0	0	0	0	0	0	0
Florida	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Nebraska	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	1	0
New York	2016	1	0	0	0	0	1	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Oregon	2016	5	0	0	0	1	0	4
	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	1	3
Texas	2016	6	0	0	0	0	0	6
	2017	6	1	0	0	0	1	6
	2018	6	0	0	0	0	1	5
Virginia	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
Washington	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
TOTAL	**2016**	**14**	**0**	**0**	**0**	**1**	**1**	**12**
	2017	**12**	**4**	**0**	**0**	**0**	**3**	**13**
	2018	**13**	**0**	**0**	**0**	**0**	**3**	**10**

TABLE 20.4
STATUS OF COMPANY-OWNED OUTLETS
FOR FISCAL YEARS ENDING DECEMBER 31, 2016/2017/2018

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired by Franchisor	Outlets Closed	Sold to Franchisees	Outlets at End of Year
Oregon	2016	1	0	1	0	0	2
	2017	2	1	0	0	0	3
	2018	3	0	0	0	0	3
Washington	2016	1	0	0	1	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
TOTAL	**2016**	**2**	**0**	**1**	**1**	**0**	**2**
	2017	**2**	**1**	**0**	**0**	**0**	**3**
	2018	**3**	**0**	**0**	**0**	**0**	**3**

The following Table 20.5 shows the number of franchises projected to open in the next fiscal year, ending December 31, 2019:

TABLE 20.5
PROJECTED OPENINGS FOR 2019
AS OF DECEMBER 31, 2018

State	Franchise Agreements Signed, but Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Colorado	1	0	0
Idaho	0	1	0
Oregon	0	2	0
Washington	0	1	0
TOTAL	**1**	**4**	**0**

See **Exhibit E** for Disclosure Required for Existing and Terminated Franchises. Exhibit E identifies all current franchisees. Additionally, Exhibit E identifies every franchisee who had a franchise terminated, cancelled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year, or who has not communicated with All American within ten (10) weeks of the FDD issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We do not sponsor any trademark-specific franchisee associations, nor have we been requested to include any such franchisee associations in our FDD.

21.
FINANCIAL STATEMENTS

Attached as **Exhibit F** to this FDD are the audited consolidated annual financial statements of All American Specialty Restaurants, Inc. for the fiscal years ending December 31, 2018, 2017, and 2016.

22.
CONTRACTS

The following sample contracts are offered:

Exhibit B	-	Franchise Agreement with accompanying Exhibits
Exhibit C	-	Confidentiality Agreement
Exhibit G	-	State Specific Addendum to Franchise Agreement
Exhibit H	-	General Release Relative to Transfer of Franchise

23.
RECEIPTS

Exhibit Receipt, the last two pages of this FDD, is a Receipt prepared in duplicate. Please sign both copies of the Receipt and retain one copy for your records. Return the other copy to All American. If the Receipt pages or any other pages or Exhibits are missing from your copy of the FDD, please contact All American at this address or telephone number:

All American Specialty Restaurants, Inc.
1201 SW 12th Avenue, Suite 415
Portland, Oregon 97205
Telephone: (503) 224-6199
(800) 311-3930
Fax: (503) 224-5042
www.allamericanrestaurants.com

www.sertinos.com
www.sertinoscafe.com
www.sertinoscoffee.com

EXHIBIT A

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are names, addresses, and telephone numbers of state and federal agency personnel having responsibility for franchising disclosure/registration laws and selected business opportunity laws.

California
Jan Lynn Owen, Commissioner of the
Department of Business Oversight
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500
(866) 275-2677

Department of Business Oversight
1350 Front Street
Room 2034
San Diego, California 92101-3697
(619) 525-4233

Department of Business Oversight
One Sansome Street
Suite 600
San Francisco, California 94104
(415) 972-8559

Connecticut
Cynthia Antanaitis
Assistant Director
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitutional Plaza
Hartford, Connecticut 06103-1800
(860) 240-8233/email:
cynthia.antanaitis@ct.gov
Chief Administrative Attorney
Gayle S. Fierer
Director, Securities and Business Investment Division
Ralph A. Lambiase
Banking Commissioner
John P. Burke

Florida
Tom Kenny
Regulatory Consultant
Department of Agriculture and Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314
(850) 488-2221/(850) 410-3804/fax

Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Commissioner of Securities
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2722
Commissioner of Securities
Corinna M. Wong
E-mail: corinna_m_wong@dcca.hawaii.gov
Securities Compliance Specialist
Henry K. Tanji
E-mail: henry_k_tanji@dcca.hawaii.gov
Senior Securities Enforcement Attorney
Patricia J. Moy
E-mail: patricia_j_moy@dcca.hawaii.gov

Illinois
Franchise Bureau
Office of Attorney General
Room 12-178
100 W. Randolph Street
Chicago, Illinois 60601
(312) 814-3892

Registration & Materials Inquiries:
500 S. Second St.
Springfield, Illinois 62706
(217) 782-4465
FAX: (217) 782-8827
Attorney General, Lisa Madigan

Indiana
John Potocky
Chief Deputy Commissioner
Franchise Section
Indiana Securities Division
Secretary of State
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681
Securities Commissioner, Bradley W. Skolnik

Iowa
Dennis Britson
Director of Regulated Industries Unit
Iowa Securities Bureau
340 Maple
Des Moines, Iowa 50319-0066
(515) 281-4441/(515) 281-3059/fax
email:iowasec@iid.state.ia.us

Maryland
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-7042

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020

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

Minnesota
Bette Peterson, Franchise Examiner
Minnesota Department of Commerce
Market Assurance Division
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-2211

Commissioner of Commerce
Mike Rothman

Nebraska
Gene Schenkelberg, Securities Analyst
Department of Banking and Finance
1200 N. Street, Suite 311
P.O. Box 95006
Lincoln, Nebraska 68509
(402) 471-3445

New York
Secretary of State
State of New York
41 State Street
Albany, NY 12231
(518) 474-4752 /(518) 474-4597 fax
Secretary of State
Cesar A. Perales
Deputy Secretary of State
Dierdre Scozzafava

North Dakota
Diane Lillis, Franchise Examiner
Office of Securities Commissioner
600 East Boulevard Avenue
State Capitol Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-4712
Securities Commissioner
Karen Tyler

Oregon
David Tatman, Administrator
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4140/(503)947-7862/fax
email:dcbs.dfcsmail@state.or.us

Rhode Island
David Briden, Chief Securities Examiner
Division of Securities
233 Richmond Street, Suite 232
Providence, Rhode Island 02903
(401) 222-3048

South Dakota
Franchise Administrator
Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501-3185
(605) 773-4823/(605)773-5953/fax
Assistant Attorney General in Charge
Andrew Kandel
Attorney General
Eliot Spitzer

Texas
Dorothy Wilson,
Statutory Document Section, Secretary of State
P.O. Box 12887
Austin, Texas 78711
Street Address:
1719 Brazos
Austin, Texas 79701
(512) 475-1769

Utah
Francine A. Giani, Director
Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
SM Box 146704
Salt Lake City, Utah 84114-6704
(801) 530-6601/(801) 530-6001/fax

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

Agent for Service of Process:
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

Washington
William Beatty, Director of Securities
Department of Financial Institutions
150 Israel Rd SW
Tumwater, WA 98501
(360) 902-8760
Franchise Registrations/Business Opportunities
Trang Pham
E-mail: Trang.Pham@dfi.wa.gov

Wisconsin
David Cohen, Franchise Administrator
Division of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701
(608) 266-2801
Administrator, Division of Securities
Patricia Struck
(608) 266-3432

Alberta
Scott Hood, Policy Advisor, Consumer Programs
Government Services
3rd Floor, Commerce Place
10155 – 102 Street
Edmonton, Alberta, CANADA T5J 4L4
(780) 422-8166/(403) 427-3033/fax

Ontario
Terry Irwin
Manager of Corporate Policy
Ministry of Government Services
(416) 326-8881
Email: terry.irwin@mgs.gov.on.ca

Federal Trade Commission
Division of Marketing Practices
Bureau of Consumer Protection
Pennsylvania Avenue at 6th Street, NW
Washington, D.C. 20580
(202) 326-3128

North American Securities Administrators Association
Franchise & Business Opportunities Project Group
Dale Cantone (MD), Chair
Martin Cordell (WA)
Timothy O'Brien (VA)
Joseph Punturo (NY)
Nathan Quigley (WA)
Jason Simmons (RI)
Henry Tanji (HI)

EXHIBIT B

FRANCHISE AGREEMENT

Table of Contents:

This FRANCHISE AGREEMENT ("Agreement"), dated as of ____________________, 20____ is made between ALL AMERICAN SPECIALTY RESTAURANTS, INC. ("Franchisor), whose address is 1201 SW 12th Avenue, Suite 415, Portland, Oregon 97205, and ______________________________ ______________________________ {*Insert Name*} ("Franchisee"), whose address is ____.

RECITALS

Franchisor has developed a system (hereinafter referred to as "System") of opening and operating ice cream and frozen yogurt shops, specialty coffee shops, and upscale cafés which, in some instances, are referred to as coffee tea shops and feature coffee and tea as well as other System items; and

The distinguishing features of the System include but are not limited to the names "All American Ice Cream and Frozen Yogurt Shops™" and Sertinos® Coffee Shops and Sertinos® Cafe and related design and logos, signs, emblems, trade names, trademarks, service marks, all of which are hereinafter referred to as "Marks"; as well as distinctive dessert and snack products and the formulas and quality standards therefore; instructional materials, various operation manuals and training courses; menus; and distinctive decor and atmosphere, all of which may be changed, improved, and further developed periodically; and

Shops using the System and products sold therein have a reputation for excellence that has been acquired and is being maintained by continuing research and development, marketing programs and by requiring all parties licensed to use the System to maintain high standards of quality and service; and

Franchisee wishes to be assisted, trained and licensed by Franchisor to engage in the aforesaid business as either an All American Ice Cream and Frozen Yogurt Shop Franchisee or a Sertinos® Coffee Shops or Sertinos® Cafe or some combination thereof as agreed to by the parties; and

Franchisee recognizes the importance to the System and to the public of maintaining the distinctive standards, qualities and attributes of products and services identified by the "Marks" and is willing to maintain such standards, qualities and attributes; and

Franchisee desires to obtain from Franchisor a license to use the System at the Franchised Location as described below, subject to the terms and conditions hereinafter set forth; and

Franchisee desires to operate either an All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shops or Sertinos Cafe or some combination thereof under Franchisor's System using the Marks. Franchisee has applied for a Franchise and such application has been approved by Franchisor in reliance upon written representations made; and

Franchisee understands and acknowledges the importance of Franchisor's high uniform standards of quality and service and the necessity of operating the All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shops or Sertinos Cafe in conformity with Franchisor's standards and specifications; and

Franchisor expressly disclaims the making of, and Franchisee acknowledges that Franchisee has not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by the Franchise Agreement. Franchisee acknowledges that Franchisee has read this Agreement and the Franchisor's Franchise Disclosure Document. Franchisee has no knowledge of any representations by the Franchisor, or its officers, directors, shareholders, employees or agents that are contrary to the statements made in the Franchisor's Franchise Disclosure Document or to the terms of this Agreement; and

Franchisee understands that while there are multiple names under which it may operate, it must select one name under which it will operate. The name under which it will operate may not be changed to the other trade name without written approval of Franchisor. However, the parties acknowledge that shops operating under either trade name are subject to the same operations manuals, systems and goodwill which are interdependent. Since the goodwill of one trade name affects the goodwill of the other, Franchisee must protect the goodwill of both.

NOW, THEREFORE, in consideration of the above recitals, the covenants and agreements contained herein, the parties hereto agree as follows:

1. Franchise Grant and Trade Name License.

1.1. Franchisor grants and licenses to Franchisee for the term and subject to the conditions set forth herein, the non-exclusive right ("Franchise") to use the System for All American Ice Cream and Frozen Yogurt or Sertinos Coffee Shops or Sertinos Cafe products and services at the Franchised Location described below. In return, Franchisee covenants to use its best efforts to promote and enhance the sales of its operations and that of other franchisees operating under any of the above mentioned trade names. Franchisee has selected to operate under the name designated in **Exhibit 1.1** attached hereto. It may not operate under any other trade name of Franchisor without Franchisor's permission.

1.2. Franchisor grants no other rights hereunder. Franchisor will periodically license others to use Franchisor's trademarks, service marks and methods of operating an All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shops or Sertinos Cafe and may at its option, sell All American Ice Cream and Frozen Yogurt Shop and/or Sertinos Coffee Shops and/or Sertinos

Cafe products to retail grocery stores, or on the web, for resale or license others to do same.

1.3. The completion of the training program defined herein is a condition precedent to the grants and licenses given herein.

1.4. Franchisee will at all times use best efforts to use Franchisor approved vendors and System wide distributors, so as to (i) create economies of scale System wide and (ii) provide uniformity and consistency as well as required quality.

1.5. There is an option to serve wine and beer for Sertinos brand Franchisees only. Franchisee must make election to serve wine and beer within a Sertinos Café or Sertinos Coffee shop franchise at the time the franchise agreement is executed. If franchisee elects to serve wine and beer, franchisee must (1) carry comprehensive liquor liability insurance to the satisfaction of Franchisor, (2) name Franchisor as an additional insured, (3) follow state and local regulations regarding the sales and serving of wine and beer by the glass and/or bottle, (4) follow Franchisor's operating procedures for the sale and consumption of wine and beer at Sertinos, and (5) report the sale of wine and beer using formats and point of sales equipment designated by Franchisor.

Franchisor may at its sole option withdraw its approval of the sales and consumption of any alcoholic beverages within the franchisee's restaurant.

2. Franchised Location.

2.1. The rights granted to Franchisee hereunder shall be restricted to the operation of a single All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shops or Sertinos Cafe (all of which are referred to as a "Franchised Unit") at the following described location:

Location to be determined

____
("FRANCHISE LOCATION")

____
("FRANCHISE CITY, STATE, ZIP")

2.2. Without first obtaining the written consent of Franchisor, Franchisee will not conduct or permit others to conduct any other food service business, activity or operation (including food service manufacturing or supply) at the Franchised Location other than the operation of an All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shops or Sertinos Cafe pursuant to the terms of this Agreement.

2.3. Franchisor, to the extent allowed by law, will not license any other party to operate a Franchised Unit within the following described restricted areas (which areas are dependent on the market served by the Franchisee for the term of this Agreement).

The One (1) mile radius from the Franchised Unit depicted in the attached **Exhibit 2.3** represents the Protected Territory granted. Provided, excepted from that exclusivity are any special purpose locations such as airports, sports centers, malls, and the like within the territory.

2.4. Franchisee acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any System franchisees based upon the peculiarities and characteristics of the particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business. Franchisee shall not be heard to complain on account of any such variation from standard specifications and practices to any other franchisee and shall not be entitled to require Franchisor to disclose such variation or grant to Franchisee a like or similar variation.

3. Fees.

3.1. **Initial Fee.**

Upon execution of this Agreement, Franchisee shall pay Franchisor the sum of $_____________ as an initial franchise fee. Franchisee acknowledges that said fee is paid as consideration for the initial granting of this Franchise. It is earned at the time this Franchise Agreement is signed and is not refundable under any circumstances.

Of the initial fee, the parties understand and agree that 60% of the initial fee is allocated as consideration for granting of the Franchise, the time and materials provided by All American to educate the potential Franchisee of the restaurant industry before signing the Franchise Agreement. 15% of the initial fee shall be allocated as consideration for the presentation of the All American® or Sertinos® Site Criteria form, depending on the concept(s) to be utilized, typically provided within fifteen days of executing the Franchise Agreement. 10% shall be allocated as consideration for All American's New Store Setup Checklist, Plan Review Procedure and Equipment Specifications typically completed 90 days after the Franchise Agreement has been signed. The balance (15%) shall be allocated to on-site pre-opening training and grand opening activities.

3.2. **Franchise Royalty Fee.**

3.2.1 In addition to all other amounts to be paid hereunder, Franchisee shall pay Franchisor for the license granted hereunder a franchise royalty fee of 6% of the gross sales as hereinafter defined, realized from the Franchised Unit and from any other business using the Franchisor's methods, operations and/or trade secrets to operate a similar business for the term of this license, provided, however, that the minimum monthly royalty paid hereunder shall be $375.00 for the rights granted by this license. The term "gross sales" includes all sales of every kind and nature from the Franchised Unit, including but not limited to sales of ice cream, frozen yogurt, snacks, entree items, novelties, gifts, and services, whether sold for consumption on or off the premises. It does not include (i) receipts from any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) refunds to customers or (iii) promotional discounts (i.e. coupons). Gross sales include sales of gift certificates.

3.2.2 Franchisee shall pay its royalties as follows: Franchisee shall, on the Tuesday following the close of each calendar week, furnish Franchisor with an operating statement and a profit and loss statement in a form containing such information as may occasionally be prescribed by Franchisor showing the gross sales from the Franchised Unit during period, and shall at the same time pay Franchisor the franchise and marketing fees then due. The weekly transfers shall be done by an electronic transfer of data via the required POS system disclosed in the Franchise Disclosure Document (FDD).

3.2.3 Franchisee must execute documents allowing Franchisor to automatically take royalty and marketing fees due as well as other sums due Franchisor, from business bank accounts via electronic funds transfer (EFT). Failure to provide EFT on an ongoing basis is a breach.

4. Maintenance and Modification for the System.

4.1. Franchisee shall maintain the location to the standards of sanitation, repair and condition required by Franchisor, which standards are specified in the operations manual as it may be modified occasionally. Said standards are subject to modification. Where there is extraordinary wear and tear, Franchisee shall make such additions, alterations, repairs, refurbishing and replacements (but no others without Franchisor's consent) as may be required for that purpose, including without limitation such periodic repainting, repairs to impaired equipment, and replacement of obsolete signs as Franchisor may direct. Franchisee shall refurbish the franchised location at Franchisee's expense to conform to the design, color schemes, and presentation of the System consistent with the concepts in effect for new locations. This includes, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements.

4.2. Franchisee is aware that in order to maintain the All American Ice Cream and Frozen Yogurt Shop's and the Sertinos Coffee Shop's and Sertinos Cafe's image and reputation the System may be changed or modified, specifically, but not exclusively, including the adoption and use of new exterior building designs, new interior decors, new or modified marks, and copyrighted materials new equipment, and new furnishings. Franchisee will accept, use and display any such changes or modifications in the System as if they were a part of this Franchise Agreement at the time of execution hereof, and Franchisee will make such expenditures as such changes or modifications in the System may require, at the direction of Franchisor.

5. Completion of Franchised Unit.

5.1. Franchisee shall be responsible for the purchasing or leasing of a suitable site for the Franchised Unit. Before the acquisition by lease or purchase of any site for the premises of the Franchised Unit, Franchisee shall submit a description of the proposed site to Franchisor, together with a letter of intent or other evidence satisfactory to Franchisor, which confirms Franchisee's favorable prospects for obtaining the site. Franchisor shall provide Franchisee written or telephonic notice of approval or disapproval of the proposed site within 10 days after receiving Franchisee's written proposal. Franchisor and Franchisee must agree on an approved site within 12 months of signing the Franchise Agreement, and this location approval period may be extended for additional 12 month location approval periods at Franchisor's option. By approving the site, Franchisor is not endorsing the site but simply acknowledging Franchisee's ability to secure the site.

5.2. Franchisee agrees to construct the improvements to the Franchised Location generally in accordance with the prototype designs furnished and in accordance with the general plans and specifications approved by Franchisor and to open same for business within 180 days after (i) the date of this Franchise Agreement or (ii) the date of approval of a Franchised Location by Franchisor, whichever last occurs. Provided, however, if Franchisee is not able to open for business within said time period due to causes beyond Franchisee's control, such as strikes, weather, or not being able to obtain essential equipment or materials, then the date on which the Franchised Unit shall be required to be opened for business shall be extended for such additional time as such cause or causes shall delay the opening, provided that in no event shall such time be extended for more than 90 days without first obtaining the written consent of the Franchisor. If Franchisee fails to open the Franchised Unit for business within the original time as extended where applicable, then Franchisee shall pay to Franchisor $375 per month until the Franchised Unit is opened, such payments to commence on the first day of the month following the date that the Franchised Unit should have been opened for business. Such payment represents liquidated damages for lost revenues which Franchisor would have received had Franchisee been open.

In the event that such failure to open on schedules shall continue for more than the 90 day extension period, Franchisor shall have the right to terminate this Agreement and select a new franchisee.

6. Construction by Franchisee.

Franchisee shall purchase or lease the real property on which the Franchised Unit is to be located and construct the necessary improvements thereon. All such buildings and other improvements shall be constructed in accordance with the general prototype designs approved by Franchisor utilizing interior designers and architects approved by Franchisor. No changes shall be made in said general prototype designs except as may be required in order to conform with local building codes and regulations (which changes must be approved in writing by Franchisor), and no alterations or changes shall be made thereafter in the improvements so constructed or in the décor "look and feel" without first obtaining the written consent of Franchisor. If any such changes or alterations are made without first obtaining said consent, then Franchisor at its option shall have the right to require Franchisee to change the buildings or other improvements, or decor at Franchisee's cost so they will conform to the approved designs. A provision containing the terms of this paragraph shall be placed in the Franchisee's lease (if any). Franchisee shall at its cost obtain and provide: local certification of plans to insure that all local codes and requirements have been complied with; all required building, sign and other permits; architectural inspections and supervision of construction as required; (in the case of a free standing structure) a registered survey showing boundary lines, setbacks, location of improvements, encroachments and such other information as may be necessary; and shall take all other action that may be required to insure that the improvements on the Franchised Location are constructed in accordance with approved designs. For purposes hereof the definition of decor shall include any and all proprietary design schemes and furnishings, interior decoration, Franchisor signs, and the "look and feel" in general.

7. Opening Procedures.

7.1. Franchisee, and if Franchisee is not a natural person, a principal of Franchisee and Franchisee's manager must satisfactorily complete the Franchisor TRAINING PROGRAM.

7.2. Before opening for business, the Franchisee must satisfactorily complete the Franchisor's PRE-OPENING CHECKLIST which specifically but not exclusively includes:

- The leasehold improvements, equipment, furniture, and fixtures must meet the System standards;
- The number and quality of employees sufficient to meet system standards must be hired and be available for training during the opening period described in 7.3;

- The display equipment and yogurt machines must be cleaned and polished to Franchisor's satisfaction;
- The initial inventory order must be approved by Franchisor and delivered to the Franchised Unit;
- Failure to adhere to the pre-opening check list and meet its requirements will delay opening which will result in increased costs for franchisee.

7.3. Franchisor shall provide Franchisee with an opening team to assist in the opening of the Franchised Unit and in training Franchisee's employees. Said team shall be composed of such personnel as Franchisor deems necessary in its sole discretion, and such opening team shall remain at the Franchised Unit for such time as Franchisor in its sole discretion shall deem necessary in order to properly open the Franchised Unit and train the personnel employed therein. Franchisor shall pay the expenses of the team supervisor and team members. The term "expenses" as used herein shall be deemed to include costs of transportation, meals, and lodging. The aforementioned notwithstanding, Franchisee shall at all times be responsible for salaries and expenses related to its employees.

8. Marketing.

Franchisee shall contribute and participate in marketing as set forth below:

8.1. **Required Expenditures to The Marketing Fund**. An additional 1% of the gross sales of the Franchisee will be paid into The Marketing Fund (Fund). Payments will be made in the same manner and time as monthly royalty fees. The Franchisor will also pay 1% of the gross sales for Franchisor owned operations into The Marketing Fund. Costs of producing advertising material to be used shall be paid from The Marketing Fund. The balance shall be spent in the manner determined by Franchisor in its sole discretion. Expenditures by Franchisee for local advertising and promotion shall not be considered payments to The Marketing Fund.

8.2. **Local Marketing**. Franchisee shall also spend a reasonable amount on local marketing. Local promotion shall include sponsorship of community activities, requirements of developer/landlord and the cost of Yellow Page advertising. If requested by Franchisor, reports of these expenditures shall be made in a manner and at periods prescribed by Franchisor.

8.3. **Advertising Material and Signs**. Franchisee agrees to follow the recommendations of Franchisor with respect to the kinds and types of advertising and the media used and shall not spend any amounts for or use any kind of advertising and promotion other than that prepared or recommended by Franchisor without first obtaining Franchisor's written consent. All advertising and promotional matter shall be submitted to

Franchisor for approval before publication. Franchisee shall pay the reasonable cost of all materials supplied by Franchisor for advertising and promotion purposes, including the pro rata share of cost of creative work, printing, engraving and films.

8.3.1 Franchisee must use signs approved by Franchisor.

8.3.2 Franchisee must adhere to Franchisor grand opening promotional advice.

8.4. **Internet and Yellow Page Advertising.**

If Franchisee purchases internet and/or yellow pages advertising, Franchisee must purchase it in accordance with the specifications as to style, type, and size of Franchisor, the cost of which shall not be considered payments due under 8.1 but may be considered as expenditures under local marketing. <u>Under no circumstances may Franchisee utilize allamericanrestaurants, sertinos, sertinoscoffee, sertinoscafe, or any other derivation or iteration in any advertising or website without first obtaining All American's written consent.</u>

8.5. **Grand Opening Advertisement**.

Upon execution of this Agreement, you must submit $7,500 to Franchisor to be used for grand opening advertising and promotional activities within 60 days of your store's grand opening. The funds will be put into a separate account and designated solely for grand opening advertising for your store through Franchisor's advertising agency. Franchisor will also contribute $1,000 to this account for advertising your store. Franchisor will provide you with an accounting of the use of these funds in a timely manner. These funds are nonrefundable.

8.6. **Special Promotional Items**.

Franchisor may periodically develop and market special promotional items which may be made available to Franchisee at Franchisor's cost plus a reasonable mark up to cover administrative costs and a profit. Franchisee shall maintain a representative inventory of such promotional items to meet public demand.

8.7. **Promotional Programs**.

Franchisor may periodically initiate promotional programs for the benefit of all Franchised Units such as "frequent purchase" card programs (i.e. buy 12 products, get 1 free), complimentary cards (free item) or special product discounts. Franchisee agrees to accept and honor all cards, promotional coupons, or other System-wide offers, on a uniform basis, as accepted by all Franchised Units in the System.

8.8. **Local Advertising**

Franchisee shall spend each calendar month on local advertising and promotion an amount equal to at least 2% of Franchisee's gross receipts for the preceding calendar month. At its option, Franchisor may request from Franchisee and Franchisee will provide an accurate written accounting of expenditures on a monthly, quarterly or annual basis.

8.9. **Cooperative Advertising.**

If approved by 51% of the total number of operating Franchised Units in the System, Franchisee will participate in the cost and promotional discounts of cooperative advertising programs for the benefit of the System and each individual Franchised Unit.

9. Bookkeeping.

Franchisee agrees to keep and maintain complete and accurate books and records of its business operations and all transactions following such accounting procedures and cash registers and computer hardware and software systems as required by Franchisor. <u>Franchisee must purchase a personal computer for the business, purchase and install accounting software approved by Franchisor and become versed in the use of the software.</u>

10. Reports.

10.1. A report of gross sales must be transferred electronically on a daily basis through the Franchisor required computer / POS system. A report of gross sales, expenses and a profit and loss statement for the operation of the Franchised Unit shall be submitted electronically by Franchisee to Franchisor weekly, monthly, quarterly, and at year end. In addition, within 90 days after the close of each fiscal year, Franchisee will furnish Franchisor a full and complete statement in writing of income, expense and a profit and loss statement for the operation of the Franchised Unit during said period, together with a balance sheet for the Franchised Unit, both of which shall be prepared in accordance with accepted accounting standards and practice by an independent certified public accountant and certified by said certified public accountant to be correct. Franchisee agrees to keep complete and accurate books and records of its business operations in the manner designated and prescribed by Franchisor. The report and financial statement required hereunder shall be in such form and contain such information as Franchisor may occasionally reasonably designate. Franchisor shall have the right at all reasonable times to examine, at its expense, Franchisee's books, records, and tax returns. If Franchisor's examination finds the report was understated by more than 2%, Franchisee shall reimburse Franchisor for the cost of examination and pay the Franchisor the amounts due together with interest thereon at the rate provided herein. Such understatement may be considered a default hereunder. Three such understatements may at the option of Franchisor be considered an incurable default.

10.2. Franchisee's failure to provide timely reports and/or payments to Franchisor, whether franchisee royalties, marketing production fees, or accounts payable to Franchisor, shall be cause for a curable default under the Franchise Agreement. Franchisor reserves the right with 5 day written notice to Franchisee or Franchisee's store manager, to direct distributors to stop furnishing Franchisor's proprietary products and products sold under Franchisor's discounted pricing schedules from distributors to Franchisee's business until such time as Franchisee's accounts are brought current with Franchisor. In no event shall Franchisee have recourse against Franchisor for loss of revenue, customer goodwill, profits or other business arising from Franchisor's actions and the actions of Franchisor's distributors.

10.3. Royalties due shall be paid electronically on a weekly basis on the Tuesday following the week end; Franchisee must periodically execute documents that allow Franchisor to automatically take this fee out of Franchisee's bank accounts via electronic funds transfer.

11. Counseling and Advisory Services.

In addition to visits by Franchisor's field representatives as Franchisor deems appropriate, Franchisor shall within reasonable limits not to exceed once every 90 days, upon request of Franchisee and at no charge (other than Franchisor's out-or-pocket expenses for food, travel and lodging) furnish consultation and advisory services to Franchisee with respect to the operation of the Franchised Unit, including consultation and advice regarding the following:

11.1. Training
11.2. Advertising and promotion
11.3. Menu planning and printing
11.4. Recipes, formulas, specifications and sanitation
11.5. Bookkeeping and accounting
11.6. Purchasing and inventory control
11.7. Operating problems and procedures
11.8. Periodic inspections
11.9. New developments and improvements in the System

12. Training.

12.1. **Required Orientation Training.**

Franchisee (or if Franchisee is not a natural person, a partner or shareholder designated by Franchisee and accepted by Franchisor) and Franchisee's manager shall attend and complete to Franchisor's satisfaction, Franchisor's initial management training programs before the opening of the business and any additional training programs which Franchisor requires occasionally. Franchisees must at all times during the term of this Agreement have a principal and a manager who has successfully completed to Franchisor's satisfaction, the Franchisor's Management Training Program.

12.2. **Additional Training.**

Franchisee shall cause its employees (including any person subsequently acting as manager) to attend and conduct such training programs, both before and after the opening of the Franchised Unit, as Franchisor may occasionally reasonably require in order to train Franchisee's personnel to properly operate the facilities using the System. No charge shall be made by Franchisor for training programs conducted by it before opening, but Franchisee shall be required to pay all expenses of Franchisee's personnel who take part in any such program.

13. Performance.

In order to maintain the highest degree of quality and service on a uniform System wide basis, Franchisee shall operate the Franchised Unit in conformity with the methods, standards and specifications prescribed by Franchisor. Franchisee agrees to comply with the Operations Manual as it is periodically modified and will:

13.1. Use only menus which comply with Franchisor's specifications for materials, finish, style, pattern, and design.

13.2. Maintain and operate the Franchised Unit in good condition and repair and in a proper and businesslike manner, using Franchisee's best efforts to maintain a clean, sanitary and respectable atmosphere therein in accordance with System standards and do such redecoration, repairing, refurbishing and restoration as periodically may be reasonably required to meet System standards as they may be modified occasionally.

13.3. Comply with all applicable governmental laws, ordinances, rules and regulations.

13.4. Maintain sufficient inventories as prescribed by Franchisor and employ sufficient employees necessary to meet system standards and to operate the Franchised Unit at its maximum capacity and efficiency 362 days per year from 10:00 a.m. to 9:00 p.m., or in the case of special purpose locations as described above, to operate in accordance with the hours of the special purpose location. Franchisee may not be open for additional hours or fewer hours without prior written approval of Franchisor which shall be reviewed on a case by case basis.

13.5. Require all employees in the Franchised Unit to wear uniforms or clothes conforming to such specifications as to color, design and atmosphere projection as Franchisor may periodically reasonably designate so as to maintain the goodwill developed by System.

13.6. Employ only qualified, individuals who are trained in accordance with Franchisor standards who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of the System and use Franchisee's best efforts to insure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to patrons of the Franchised Unit. It is acknowledged that poorly trained employees, poor appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System.

13.7. Use only ingredients, supplies, furnishings and equipment that conform to the current standards and specifications for the System. Franchisor shall have the right to terminate this Agreement if Franchisee uses any ingredients, supplies, furnishings and equipment that do not conform to such standards and specifications.

13.8. Permit Franchisor or its agents, at reasonable times, to remove from the Franchised Unit samples of any product without payment, in amounts necessary for testing to determine whether the samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have, Franchisor may require Franchisee to bear the cost of the testing if the supplies for the item has not been approved or if the item does not conform to the System standards and specifications. Franchisee will fully cooperate with Franchisor's representatives making any inspections and will permit them to take photographs or electronic images of the Unit and to interview employees and customers.

13.9. Prominently display of Franchised Unit signs in and upon the land and buildings using the Marks and/or other advertising and/or menu signs of such nature, form, color, number, location and size and containing such material as Franchisor may occasionally reasonably direct or approve in writing; and to not display in or upon said premises or elsewhere any sign or advertising media of any kind to which Franchisor reasonably objects including signs and advertising media which have been outdated. Upon giving Franchisee notice of its objection to same or upon termination hereof, Franchisor may at any time enter upon the said premises and remove any objectionable or non-approved signs or advertising media and keep or destroy same without paying therefore or without being deemed guilty of trespassing or any other tort.

13.10. Conduct all advertising programs using the Marks or copyrighted materials in a dignified manner that will not detract from the reputation of the System.

13.11. Submit all news stories and other information to be released for publication relating to the Franchised Unit operated by Franchisee to Franchisor for written approval before their being printed or published.

13.12. Carry only such menu items as may periodically be approved by Franchisor and serve only under the formulae and recipes and in the presentations approved by Franchisor.

13.13. Use Franchisee's personal, best and continuing efforts to fully promote and develop the Franchised Unit using the Franchised Unit only for the purposes designated in this Agreement and avoiding any activities that would conflict or interfere with or be detrimental to such purposes.

13.14. Not sell, display or use on Franchisee's premises vending machines, entertainment devices, gambling devices, games of chance, telephone booths, utilities collection devices, and products not included in the System unless approved in writing by Franchisor.

13.15. Not use Marks except as relate to the System, and then only as approved by Franchisor.

13.16. Participate in any and all cooperative advertising program established by Franchisor with System suppliers.

13.17. Have at all times a manager and a principal who have met Franchisor's training requirements.

13.18. Purchase, install and maintain, at Franchisee's expense, the computer system and POS system Franchisor requires including any proprietary software Franchisor develops. Franchisee may be required to enter into a proprietary software license agreement.

13.19. Use Franchisor approved architect and interior designer for initial construction and for remodel and renovation projects.

13.20. The above notwithstanding, Franchisee acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary performance standards for any franchisees based upon the peculiarities and characteristics of the particular site or circumstance, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business. Franchisee shall not be heard to complain on account of any such variation from standard specifications and practices to any other franchisee and shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.

14. Classification.

Franchisee shall operate and maintain the Franchised Unit in a manner that will insure that said business will obtain the highest classification possible for businesses of like kind from the governmental authorities that inspect restaurants in the area where said business is operated. Franchisee must, at request of Franchisor, submit a copy of its current classification to Franchisor every six months. If Franchisee is not able to obtain such classification or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by the System, then Franchisor may, at its option, place such trained personnel in the Franchised Unit as it deems necessary to train the operating personnel until said business can obtain the highest classification or meet said general standards. The personnel shall remain at the Franchised Unit until the required classification is obtained or until Franchisor, in its discretion, decides to remove them. The Franchisee shall pay all costs of providing said personnel, including costs of transportation, meals, lodging, salary, wages or other compensation, plus the cost of fringe benefits which shall be deemed to be 15% of their salary and wages.

15. Franchisee is an Independent Contractor.

Franchisee is and shall be an independent contractor under this Agreement, and no partnership shall exist between Franchisee and Franchisor. This Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to their good names and reputations, or that of other franchisees of Franchisor. Pursuant to the above, Franchisee does agree to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorney's fees, or damage Franchisor may suffer as a result of claims, demands, costs or judgments against Franchisor arising out of the relationship hereby established which specifically, but not exclusively, includes costs, losses, expenses, attorneys fees, relative to assignment or the transfer of right to franchise and transactional costs relative thereto, defaults under any leases, subleases, notes or any other relationships arising directly or indirectly out of the operation of the franchise business.

16. Offerings by Franchisee.

Securities or partnership interests in Franchisee may be offered to the public, by private offering, or otherwise, only with the prior written consent of Franchisor, whether or not Franchisor's consent is otherwise required which consent shall not be unreasonably withheld. All materials required for such offering by federal or state law shall be submitted to Franchisor for review before their being filed with any government agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review before their use. No Franchisee offering shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of Franchisee or Franchisor securities; and Franchisor's review of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee shall pay to Franchisor a non-refundable fee of $2,500 or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. Franchisee shall give Franchisor at least 60 days' prior written notice before the effective date of any offering or other transaction covered by this Paragraph.

17. Restrictions.

Franchisor is engaged in the business of operating and franchising the System on a regional and national basis. Franchisee acknowledges that the appropriation or duplication of the System or any part thereof for a purpose other than to operate an All American Ice Cream and Frozen Yogurt Shop and/or Sertinos Coffee Shop or Sertinos Cafe licensed to use the System would damage the goodwill and the franchising businesses of Franchisor. Therefore, Franchisee agrees that it will not during the term of this contract, directly or indirectly, engage in, or acquire any interest in any frozen dessert business, including any interest in a corporation or other entity, that directly or indirectly uses or duplicates or simulates in any way the System or any portion thereof. If it does so, then Franchisee shall pay Franchisor as liquidated damages an amount equal to 6% of the gross sales (as defined in Section 3) of any such business payable on the eighth day of each month and Franchisor may, at its option, obtain an injunction against further use. Franchisee further acknowledges that Franchisor owns the System, which constitutes trade secrets of Franchisor, and all material or other information now or hereafter provided or disclosed to Franchisee regarding said System is disclosed to Franchisee in confidence and Franchisee has no right to disclose any part of it to anyone who is not an employee of Franchisor, or any of its franchisees. Franchisee will not disclose information to any employee or agent until that person executes a nondisclosure agreement satisfactory to Franchisor under which agreement Franchisor will be a third party beneficiary of the commitment of the employee and/or agent. Franchisee will at its cost enforce the nondisclosure provisions of this Agreement and the nondisclosure agreement against the agents and employees. Franchisee further agrees not to use the Marks or trade names in any manner except as approved by Franchisor and then only to operate at an All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shop or Sertinos Cafe. All other rights to the Marks and trade names are reserved to the Franchisor.

18. Interest and Late Fee.

18.1. Any and all amounts that shall become due and owing from Franchisee to Franchisor under the terms hereof shall bear interest from the date due until paid at the rate of 18% per annum or at the highest rate permitted by law, whichever is lower.

18.2. Franchisee's failure to provide timely payments to Franchisor, whether franchisee royalties, marketing production fees or accounts payable to Franchisor, shall be cause for a curable default under the Franchise Agreement. Franchisor reserves the right, with 5 day written notice to Franchisee or Franchisee's store manager, to direct distributors to stop furnishing Franchisor's proprietary products and products sold under Franchisor's discounted pricing schedules from distributors to Franchisee's business until such time as Franchisee's accounts are brought current with Franchisor. In no event shall Franchisee have recourse against Franchisor for loss of revenue, customer goodwill, profits or other business from Franchisor's actions and the actions of Franchisor's distributors.

19. Indemnification and Insurance.

19.1. Franchisee shall be responsible for all loss or damage originating in or in connection with the operation of the Franchised Unit, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom, and Franchisee agrees to defend and indemnify and to save Franchisor, its officers, affiliates, directors, successors, and assigns ("Indemnified Parties") harmless of and from any such claims, loss or damage, including attorney's fee related thereto. Franchisee shall defend and indemnify the Indemnified Parties holding them harmless from and against any and all claims for damage to persons and property arising from or out of any occurrence in or around Franchisee's premises.

19.2. The Indemnified Parties are neither responsible nor liable for any act, omission, contract, debt or any other obligation of or claim or judgment against Franchisee. Franchisee therefore agrees that if the Indemnified Parties shall be subject to any claim, demand, penalty or become a party to any suit or other judicial, court, or administrative proceeding by reason of any claim, act or omission by Franchisee, his employees or agents, or by reason of any act occurring on the All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shops or Sertinos Cafe premises, or by reason of omission with respect to the business operations of the All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shop or Sertinos Cafe, Franchisee shall defend Franchisor and shall also indemnify and hold the Indemnified Parties harmless against all judgments, settlement(s), penalties and expenses, including attorneys' fees, court costs and other expenses of litigation or administrative proceedings, incurred by or imposed on the Indemnified Parties in any litigation or administrative proceeding. Franchisee's duty to defend the Indemnified Parties under this paragraph shall be at the option of the Indemnified Parties.

19.3. Franchisee shall at all times carry such insurance as may be required by the terms of any lease on the premises where the Franchised Unit is located, and in any event, the following:

(1) Employer's Liability and Workmen's Compensation in an amount no less than that prescribed by law in the state in which the Franchised Unit is located.

(2) Liability Insurance under a comprehensive general liability form for products liability, contractual liability, and non-owned automobile and property damage on an occurrence basis with the following limits:

Personal Injury	**$3,000,000**
Property Damage	**$ 500,000**

19.4. Any and all insurance obtained by Franchisee shall be in form and with insurers acceptable to Franchisor. Franchisor shall be named as additional named insured under each of said policies and furnished with copies of the policies or certificates therefore. All policies of insurance required to be maintained by Franchisee hereunder shall be renewed (and policies or certificates together with evidence of payment of premiums delivered to Franchisor) at least 30 days before the respective expiration dates of existing policies of insurance. All such policies shall contain endorsements requiring the insurer to give Franchisor at least 10 days written notice before terminating, canceling or making any changes in any such policy. The above limits of coverage may be increased occasionally by Franchisor to reflect increases in the cost of living, litigation expenses and inflationary trends from the date hereof.

19.5. If Franchisee fails to provide and maintain the required coverage, Franchisor may, at its discretion, obtain and pay for such coverage, in which event, Franchisee agrees that it will pay for any such costs of insurance and any expenses incurred by Franchisor.

20. Franchise Not Assignable or Transferable.

20.1. Franchisee shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder, or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless it first obtains the written consent of Franchisor. A transfer of any stock in the Franchisee if it is a corporation or a transfer of any ownership rights in Franchisee if it is a partnership, a limited liability company or limited partnership shall be considered a transfer restricted hereunder.

20.2. Franchisor shall not unreasonably withhold approval of an assignment or transfer to proposed assignees or transferees who are of good moral character, sufficient business experience and financial resources and otherwise meet Franchisor's then applicable standards for franchisees and who are willing to assume all obligations of Franchisee hereunder and to execute and be bound by all provisions of the Franchisor's then-current form of Standard Franchise Agreement, including the then-current royalty and service fee and marketing contributions, but a term equal to the lesser of the remaining term on the lease for the premises at which the franchise operates or the then-current term of a franchise agreement. The Franchisor, may, at its sole discretion, charge the transferor franchisee a transfer fee of the greater of 50% of the then-current initial franchise fee for a franchise or a sum equal to the cost of training for the new franchisee, plus the cost of Franchisor's travel and all other expenses of Franchisor related to the transfer. Further, Franchisor may require a $10,000 training deposit before approval. Such fee will be used to pay for administrative and legal costs to Franchisor related to such transaction. Franchisor shall have the right to require Franchisee and its owners to execute a general release of Franchisor as a condition of the transfer.

20.3. As a condition to granting consent under this section, Franchisor may require completion of reasonable upgrading and remodeling of the All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shop or Sertinos Cafe premises to comply with standards for new franchisees, execution of the then-current Franchise Agreement, and successful completion of Franchisor's training course by the proposed assignee or his manager. Further, all monetary obligations owed to Franchisor, its subsidiaries, affiliates or vendors must be current before consent will be granted.

20.4. The Franchise, if granted to individuals, may be assigned to a partnership or corporation which conducts no business other than an All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shop or Sertinos Cafe, which is actively managed by Franchisee, and in which Franchisee owns and controls not less than 75% of the general partnership interest or the equity and voting power, provided that all partners or shareholders shall execute an Assignment Agreement in form approved by the Franchisor undertaking to be personally bound jointly and severally by all provisions of this Agreement and all issued and outstanding stock certificates of such corporation shall bear a legend reflecting or referring to the restrictions of this Agreement.

20.5. Franchisee shall have no right to grant and shall not grant any sublicense or sub-franchise any rights in the location, process or method of doing business granted in this Agreement. Should Franchisee attempt any such grant or assignment, Franchisee's rights under this Agreement, at the election of the Franchisor, shall forthwith terminate.

20.6. Franchisor has the right to review Franchisee's business records to determine if there have been unauthorized transfers hereunder.

20.7. The foregoing notwithstanding, upon the death or mental incapacity of any person with an interest in Franchisee, in this Agreement, or in the licensed business, the executor, administrator, or personal representative of such person shall transfer his interest to a third party approved by Franchisor within 6 months after such death or mental incapacity. Such transfers, including, without limitation, transfer by devise or inheritance, shall be subject to the same conditions as any inter vivos transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the approval of Franchisor, the personal representative of the deceased person shall have a reasonable time to dispose of the deceased's interest in Franchisee or in the licensed business, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement.

21. Non-competition Agreement by Franchisee and its Officers and Employees.

During the terms hereof and in the event of termination of this Agreement for any reason other than the fault of Franchisor, and in addition to and not as a limitation of any other restrictions upon Franchisee contained herein, Franchisee and his key employees and if Franchisee is a business entity, then Franchisee and each of its officers, key employees and equity holders agree that they will not during such term and for a period of **24 months** following the date this Agreement is terminated, directly or indirectly, for or on behalf of itself or himself or others, without first obtaining Franchisor's written consent, engage in any food service business similar to the food business or any part thereof operated under the System within **50 miles** of any location where a Franchised Unit has been licensed to use the System. Franchisee agrees to obtain from such of its officers, key employees and equity holders as Franchisor may designate covenants against such competition with Franchisor and Franchisee and also to obtain agreements to maintain as a trade secret the proprietary data and information supplied by Franchisor. Franchisee agrees that the execution and delivery of such agreements by any officer, key employee, or equity holder shall be a condition precedent to the designation of such officers, employment of such key employees, and/or purchase of equity by such equity holders. The parties acknowledge that the above mentioned prohibition is based on the reason and understanding that the Franchisee, his key employees, or its officers, key employees and equity holders, if it is a business entity, will be possessed of knowledge of business and operating methods and trade secrets, disclosure of which would prejudice the interest of Franchisor and Franchisor's other franchisees. If any part of this restriction is found to be unreasonable by a court in time or distance, each month of time or mile of distance may be deemed a separate Franchised Unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

22. Term.

Unless terminated earlier in accordance with the terms set forth herein, this Agreement and the Franchise granted hereunder shall have a term of 10 years from the date hereof.

22.1. Franchisee may, at its option, renew the franchise for an additional term equal to the term in Franchisor's standard form of Franchise Agreement being executed by other franchise owners renewing their franchises on the renewal date, provided that before the expiration of the initial or renewal term, whichever applies:

22.1.1 Franchisee gives Franchisor written notice of its election to renew not less than 6 months, nor more than 12 months, before the end of the then-current term.

22.1.2 Franchisee is not, when notice is given, in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor, including any other Franchise Agreement, and has substantially complied with the terms and conditions of all such agreements during the term of this Agreement.

22.1.3 All monetary obligations owed by Franchisee to Franchisor have been satisfied before renewal and paid when due throughout the initial and all prior renewal terms of this Agreement.

22.1.4 Franchisee executes the Franchisor's then present standard form Franchise Agreement being executed by other franchise owners whether for the initial term or for renewing their franchises on the renewal date, which may contain certain terms, and conditions substantially different from those set forth herein, including, without limitation, a different royalty, a different term, different national and local advertising expenditure requirements (and new methods of computing same) and a different exclusive territory, if any.

22.1.5 Franchisee executes a general release in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders and employees, in their corporate and individual capacities, except such claims as would relieve any person from liability imposed by state law.

22.1.6 Franchisee and any other person who has an interest in Franchisee (if Franchisee is a group of individuals or a corporation, partnership, un-incorporated association or similar entity) attends and satisfactory completes such retraining or refresher training program as Franchisor may require, in its sole discretion, at such time and place before the expiration of this Agreement as Franchisor may reasonably designate.

22.1.7 Franchisee performs such remodeling, updating repairs, replacements and redecoration as Franchisor may require to cause the Shop, equipment (including the POS systems, computer, and software), fixture, furnishings and furniture to conform to the plans and specifications being used for new or remodeled All American Ice Cream and Frozen Yogurt Shop and/or Sertinos Coffee Shops or Sertinos Cafe on the renewal date.

22.1.8 Franchisee pays to Franchisor a renewal fee equal to 25% percent of the Franchise Fee then in effect on the renewal date.

23. Termination.

If Franchisee shall:

23.1. Fail to perform in accordance with any of the terms of this Agreement and such default shall continue for 10 days after Franchisor has given written notice of such default, or if the default cannot be reasonable corrected within said 10 day period, then if it is not corrected within such additional time as may be required assuming Franchisee proceeds with reasonable diligence (PROVIDED THAT SUCH WRITTEN NOTICE AND A REASONABLE TIME TO CORRECT DEFAULTS SHALL NOT BE REQUIRED IF Franchisee REPEATEDLY FAILS TO PERFORM IN ACCORDANCE WITH THE TERMS AND CONDITIONS CONTAINED HEREIN); or

23.2. Be adjudicated bankrupt or become insolvent or have a trustee or a receiver of all or any part of Franchisee's property appointed by a court of competent jurisdiction; or

23.3. Have a procedure for reorganization, composition or arrangement of Franchisee's affairs instituted for or against Franchisee whether or not the same is approved by a court of competent jurisdiction; in no event shall the Franchise Agreement or any right or interest hereunder be deemed an asset in any insolvency, receivership, bankruptcy, arrangement, composition or reorganization proceedings; or

23.4. Not gain a dismissal within 90 days thereafter, should an involuntary bankruptcy proceeding be filed under any bankruptcy laws or other laws; or

23.5. Make a general assignment for the benefit of creditors; or

23.6. Default in the payment of any indebtedness to Franchisor when same becomes due and payable and Franchisee fails to pay said amount within 10 days after receiving notice of said default; or

23.7. Fail to satisfy any judgment against Franchisee within 30 days after the judgment is entered and becomes final; or

23.8. Falsify any report required to be furnished Franchisor hereunder; or

23.9. For a period of 10 days or more cease to do business on the franchised premises; or

23.10. Lose for any cause whatsoever the right of possession as owner or lessee of the real property on which the Franchised Unit is located; or

23.11. Fail to restore the Franchised Unit to full operation with a reasonable period time but not more than 120 days from the date the Franchised Unit is rendered inoperable by any casualty; or

23.12. Fail to comply with laws, rules and regulations of all federal, state and local governments, applicable to the operation; or

23.13. Default under any lease or sublease of the real property on which the Franchised Unit is located; or loses the right to possession thereof for any reason whatsoever; or

23.14. Fail to use best efforts to promote and operate the franchised system; or

23.15. Act in a manner that materially impairs the goodwill associated with the Marks.

then and in any such event, Franchisor may, without prejudice to any other remedies it may have, terminate this Agreement and the franchise granted hereunder by written notice to Franchisee, and all rights or Franchisee hereunder shall cease and Franchisee shall pay Franchisor all sums then due. However, such termination shall not affect the obligation of Franchisee hereunder to take action or abstain from taking action after the termination hereof. In addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor may enter into the franchised facility and exercise complete authority with respect to the operation of the franchised facility until such time as it determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may take over, control and operate the franchised facility and Franchisee shall reimburse Franchisor for the full compensation paid to such representative including the cost of all fringe benefits plus all travel expenses, room and board and other expenses reasonably incurred by such representative so long as he shall deem necessary and in any event until the default has been cured and Franchisee is complying with the terms of this Agreement. Franchisee shall have a clause inserted in its lease for the premises which encompasses the above.

24. Effect of Termination.

On termination of this Agreement, whether by reason of lapse of time, default in performance or other cause or contingency, Franchisee:

24.1. Will within 7 days return to Franchisor all information and manuals furnished by Franchisor to Franchisee, together with all other material containing trade secrets, operating instructions or business practice.

24.2. Will discontinue all use of Marks and related trade names, the use of any and all signs and papers goods bearing said Marks and trade names, or any reference whatever thereto.

24.3. Will remove all signs and repaint the exterior and redecorate the interior (including repainting, retiling, removal of proprietary artwork and furniture, replacement of laminates and trim work) of the building to the sole satisfaction of Franchisor so that in Franchisor's opinion it is clear to the public that the location is not part of the franchised system.

24.4. Will not operate or do business under any name or in any manner that might tend to give the general public the impression that this Agreement is still in force or that the Franchisee is connected in any way with Franchisor or has any right to the System or the Marks.

24.5. Will not make use of or avail itself of any of the trade secrets, methods of operation, or information received from Franchisor or disclose or reveal any such information or any portion thereof to anyone not employed by Franchisor or its franchisees.

24.6. Will not assist or have knowledge of anyone not licensed to use the System in the construction or equipping of any business incorporating any or all of the distinctive features or equipment layout that Franchisor has originated and developed and which are identifying characteristics of businesses using the System as outlined in Section 24.3.

24.7. Franchisor shall have the right, title and interest to any sign or sign faces bearing Franchisor's Marks. Franchisee hereby acknowledges Franchisor's right to access the premises of the Franchised Unit should Franchisor elect to take possession of any said sign or sign faces bearing Franchisor's Marks and at that time, Franchisor may receive them.

24.8. Will execute any and all documents required by Franchisor which are necessary to effectuate termination of Franchisee's license and interest in and to the use of any and all Marks of Franchisor.

24.9. In addition to all the post termination obligations, contained in this Agreement, will continue to pay Franchisor the sum of $375 per month (as defined in Section 3.2.1) for the remainder of the term of this Franchise Agreement in consideration of the previously reserved territory for Franchisee and foregoing other opportunity to franchise the territory, provided if Franchisee voluntarily terminates and does not give Franchisor 90 days written notice of the termination, Franchisee will pay Franchisor an additional $300 per month (for a total of $675 per month) for the first 3 months after termination to reimburse Franchisor for the loss of goodwill inherent in an abandoned premises. Franchisee will also reimburse Franchisor for the cost of any advertising or expenses related to acquiring a replacement franchisee for the territory.

24.10. **In addition to any other remedies contained herein, if Franchisee breaches the covenants contained in 24.1 through 24.7, Franchisee shall pay Franchisor the sum of Twenty Five Thousand Dollars ($25,000) as liquidated damages for the damages done to the trade name of Franchisor.**

25. Sale or Lease of Premises.

If during this Agreement, Franchisee shall receive a bona fide offer and desires to sell, transfer, assign, lease or sublet any interest in any business location covered by this Agreement part thereof, or in the business thereon conducted, or in the equipment or furnishings located thereon, it shall first offer the same to Franchisor in writing at the same price and on the same terms, which offer Franchisor may accept at any time within 60 days of receipt of such offer to sell by Franchisor from Franchisee. If Franchisor declines, or does not within said 60 day period accept such offer, then for a period of 60 days Franchisee may sell, transfer, assign, lease or sublet such interest as the case may be, but not at a lower price nor on more favorable terms than have been offered to Franchisor and in no event shall Franchisee offer the said premises or any interest therein, or in the business conducted thereon, or in the equipment or furnishing thereon for sale or transfer at public auction, nor at any time shall an offer be made to the public to sell, transfer, assign, lease, or sublet, through the medium of advertisement, either in the newspapers or otherwise, without having first obtained the written consent of Franchisor to such advertisement or publication. If Franchisee does not close the transaction to which Franchisor had a right of first refusal within said 60 days, the right shall lapse and the transaction must be re-offered to Franchisor.

26. Sale or Discontinuance of Business for Other Reasons.

If this Agreement is terminated or expires for any other reason, Franchisee must offer to sell the assets of the business first to Franchisor. If upon such offer the parties are unable to agree as to a purchase price and terms, the fair value of said premises and property shall be determined by three arbitrators, Franchisee selecting one, and Franchisor selecting one. The two arbitrators so chosen shall select a third arbitrator. The decision of a majority of the arbitrators so chosen shall be conclusive, and the arbitrators shall exclude from their decision as to fair value anything for goodwill or going concern value. Franchisor shall have the right to purchase the said premises and property at any time within 60 days after receipt in writing of the decision of the arbitrators as aforesaid, or if arbitrators were not required, then at any time within 60 days after receipt in writing of an agreeable offer. The cost of the arbitration shall be shared equally by the parties. If the business is not purchased within the specified time periods, Franchisee shall have 90 days in which to sell to a third party, after which time any sale must be re-submitted as per the above.

27. Restriction on Use of Real Property.

In order to protect the goodwill derived from the System, Franchisee shall not, if it has the power to prevent it, permit the real property used for the Franchised Unit to be used for any business similar to the business operated under the System during a period of 2 years after the last to occur of: (i) the termination of this Agreement or (ii) right of Franchisor to buy hereunder has expired. Franchisee shall insert a clause in its lease (if any) giving effect to this provision. Franchisor shall be entitled to a temporary restraining order, a preliminary injunction, and a permanent injunction to enforce these rights against Franchisee, its owners, its employees, or any person acting directly or indirectly on behalf of any of these parties.

28. Miscellaneous.

28.1. **Successors**. This Agreement shall bind and inure to the benefit of the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of a corporation if Franchisee is a corporation) and its or their respective heirs, executors, administrators and successors assigns.

28.2. **Parties Bound**. The covenants, restrictions and limitations contained herein shall apply to all of the individuals executing this Agreement and the attachments hereto, and if Franchisee is a corporation, a limited liability company or a limited partnership, or if the rights of Franchisee hereunder are assigned to any such entity with the consent of Franchisor, shall (without limiting the generality of the foregoing) apply to the activities of all equity holders, officers, directors, key employees, managing agents, subsidiaries and affiliates of Franchisee, or such corporate, limited liability company, or limited partnership assignees. If Franchisee is an entity, it agrees to affix a legend to all equity certificates evidencing its equity issued during the term of this Agreement which shall state that all such equity is subject to the terms and conditions contained herein. Assignment by Franchisee shall not relieve it of the obligations herein, and it is specifically understood that it shall continue to be bound by the covenants not to compete contained herein.

28.3. **Certificate of Fictitious Name**. Individual Franchisees shall cause the publication and filing of a Certificate of Business Under Fictitious Name or other local filings which may be required in Franchisee's jurisdiction in accordance with the then applicable laws of the jurisdiction in which the Franchisee's All American Ice Cream and Frozen Yogurt Shop or Sertinos Coffee Shop or Sertinos Cafe is located and shall maintain the same occasionally located and shall maintain the same periodically by due and timely filings of renewal certificates, if required. If the Franchisee assigns this Franchise Agreement and the Franchisee's rights, title and interest thereunder to a corporation, as provided for in this Franchise Agreement, any such corporate name shall first be approved of in writing by the Franchisor. All fictitious names used by individuals or corporations operating as Franchisees of Franchisor shall bear the name "a franchisee of All American Ice Cream and Frozen Yogurt Shops and/or Sertinos Coffee Shops or Sertinos Cafe" as designated herein. Franchisee may not use the name "All American or Sertinos Coffee Shops, Sertinos, Sertinos Coffee or Sertinos Cafe" in its entity name, however.

28.4. **Disputes**. This Agreement is for a franchise. Damages for breach thereof would be difficult, if not impossible to prove. The parties therefore agree that pending arbitration this Agreement may be enforced in equity by specific performance and that all equitable remedies may be invoked including temporary or permanent injunctions. Upon issuance of an arbitration award, the award may be enforced by the entry of a judgment for damages or injunction as the award provides, in a court of competent jurisdiction. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in Vancouver, Washington, for the State of Washington, and in Portland, Oregon, for all other states, in accordance with the rules then obtaining of the American Arbitration Association, and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The arbitration will be on an individual basis only and will not be consolidated with any other proceeding. The unsuccessful party in any action, suit or arbitration hereunder shall be responsible for the prevailing party's reasonable attorney fees and costs as shall be fixed by the court, or courts, or arbitration panel before which the action, including any appeal therefrom, is tried, heard or decided.

28.5. **Invalidity of Part of Agreement**. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering said provisions of this Agreement.

28.6. **Entire Agreement**. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties other than those set forth herein. No agreement of any kind relating to the matters covered by this Agreement shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties. However, the provisions of this agreement are not intended to disclaim the representations made in the franchise disclosure document because the franchise disclosure document is intended to describe the terms of this agreement.

28.7. **Construction**. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named.

28.8. **Captions**. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.

28.9. **Notices**. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended or by recognized overnight courier. All such notices shall be addressed to the party to be notified at their respective addresses as first above written, or at such other address or addresses as the parties may periodically designate in writing.

28.10. **Effect of Waivers**. No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of these parties with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part thereof at any place other than at the Franchised Unit shall not give Franchisee any rights not granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights not granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to Franchised Unit.

28.11. **Cross Default**. If Franchisee has multiple agreements with Franchisor (which specifically, but not exclusively, include promissory notes, other franchise agreements, subleases, assignments of lease, leases which Franchisor guaranteed, and purchase agreements) a default under one such agreement by Franchisee shall be considered a default under all such agreements for which Franchisor may exercise any and all rights granted under any and all such agreements.

28.12. **Attorney Fees and Other Costs**. Franchisee shall pay for or reimburse Franchisor for any and all costs associated with Franchisee's request or acts to modify, assign, or transfer the relationship of Franchisee as a franchisee, equity owner, partner, subtenant, tenant, assignee, including legal fees related thereto.

28.13. **All American Confidential Operations Manual**. Franchisee agrees to keep the All American Confidential Operations Manual in a secure and safe location. Franchisee agrees to pay Franchisor $500 should the Confidential Operations Manual be lost, destroyed, or otherwise unusable.

28.14. **Interpretation of Rights and Obligations**. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

a) Applicable Law and Waiver. Subject to Franchisor's rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Section 28.4 of this Agreement, the parties' rights under this Agreement, and the relationship between the parties is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the State of Oregon. Franchisee waives, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state relating to franchises or business opportunities, other than those of the State of Oregon.

b) Our Rights. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify express limitations set forth in this Agreement.

c) Franchisor's Reasonable Business Judgment. Whenever Franchisor reserves or are deemed to have reserved discretion in a particular area or where Franchisor agrees or is deemed to be required to exercise Franchisor's rights reasonably or in good faith, Franchisor will satisfy

Franchisor's obligations whenever Franchisor exercises Reasonable Business Judgment in making Franchisor's decision or exercising Franchisor's rights. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving client service and satisfaction, improving product or service quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System. Neither Franchisee nor any third party (including a court of competent jurisdiction), shall substitute its judgment for Franchisor's Reasonable Business Judgment.

29. Acknowledgments.

Franchisee hereby acknowledges the following:

29.1. Franchisee has conducted an independent investigation of the business contemplated by this agreement and understands and acknowledges that the business contemplated by this agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation. Franchisee agrees that no claims of success or failure have been made to it before signing this agreement; and that it understands all the terms and conditions of this agreement. This agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and no representations or warranties are made or implied, except as specifically set forth herein. This agreement cannot be changed or terminated orally without limiting the foregoing. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this agreement, or as to the suitability of the site for the Franchised Unit as a successful location for the Franchised Unit.

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Initial

29.2. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, agents or servants, about the business contemplated by this agreement that are contrary to the terms of this agreement or the documents incorporated herein. Franchisee represents as an inducement to Franchisor's entry into this agreement, that it has made no misrepresentations in obtaining this agreement.

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Initial

29.3. Franchisee acknowledges the Franchisor's approval or acceptance of Franchisee's premises does not constitute recommendation or endorsement of the location of the Franchised Unit, nor any assurance by Franchisor that the operation of a Franchised Unit at the premises will be successful or profitable.

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Initial

29.4. Franchisee acknowledged that Franchisor or its agent has provided Franchisee with a Franchise Disclosure Document Not later than the earlier of the first personal meeting held to discuss the sale of a franchise, 14 days before the execution of this agreement, or before any payment of any consideration. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

______
Initial

29.5. Franchisee acknowledges that Franchisor has provided Franchisee with a copy of this agreement and all related documents, fully completed except for negotiated items, at least 14 days before Franchisee's execution hereof.

______
Initial

29.6. Franchisee acknowledges that it has made ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to this agreement or the relationship thereby created.

______
Initial

29.7. Franchisee, together with its advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the franchise.

______
Initial

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

_____
Initial

29.9. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products, such as ice cream and frozen yogurt sold at grocery stores under the trademarks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Section 2 area by others who may have purchased such products from Franchisor.

_____
Initial

29.10. Franchisee acknowledges that this instrument constitutes the entire agreement of the parties. This agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.

_____
Initial

The parties hereto have executed this Agreement in triplicate the day and year first above written.

FRANCHISEE:	**FRANCHISOR:**
______________________________	ALL AMERICAN SPECIALTY RESTAURANTS, INC.
______________________________	By:______________________________ C.R. Duffie, Jr., President

FRANCHISE AGREEMENT EXHIBIT

GUARANTEE

If the above named Franchisee is a corporation, limited liability company, limited partnership or other limited liability entity, then the undersigned, who constitute one or more of the equity holders of such corporation, members or managers of a limited liability company, or partners of a limited partnership, do hereby consent, agree to and do hereby authorize the execution and delivery or assumption of the foregoing Agreement by such company and agree that the provisions contained in said Agreement shall be binding upon each of them individually to the same extent as if they were personally named as Franchisee under said Agreement, and, further, in consideration of the execution of said Agreement by Franchisor, performance of each and every covenant and agreement of Franchisee as contained in said Agreement.

Notice of default is waived. Franchisor shall have the right periodically, in such manner, on such terms and for such time as it sees fit, and with or without notice to guarantors, to alter, extend or change the time or manner or performance of any obligation in the Agreement, or any part thereof, or to add or release any one or more of the guarantors. No such action by Franchisor shall affect guarantors' liability hereunder in any manner as long as this guarantee is in force.

SHAREHOLDERS/MEMBERS/MANAGERS/OR PARTNERS:

____

____

____

____

FRANCHISE AGREEMENT EXHIBIT 1.1

NAME SELECTED TO DO BUSINESS UNDER

Please check a box below and initial this page:

☐ All American Ice Cream and Frozen Yogurt Shop

☐ Sertinos Coffee Shops

☐ Sertinos Cafe

If a Sertinos, please check the below box if you intend to sell beer and wine:

☐ Sertinos beer and wine option

____
Initials

FRANCHISE AGREEMENT EXHIBIT 2.3

TERRITORY

EXHIBIT C

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement"), dated and effective as of the _______ day of ________________, 20____, is made between ALL AMERICAN SPECIALTY RESTAURANTS, INC., an Oregon corporation ("All American") and ________________ ____ ("Prospective Franchisee").

PREMISES

A. As more fully set forth in that certain Franchise Disclosure Document of All American, dated _________________, (the "FDD"), All American has offered qualified purchasers, including the Prospective Franchisee, the right to establish and operate one frozen yogurt and ice cream business.

B. Prospective Franchisee is considering and may execute that certain Franchise Agreement (the "Franchise Agreement") which is part of the FDD, pursuant to which Prospective Franchisee may be granted certain rights to operate either an All American Ice Cream and Frozen Yogurt Shop™ or Sertinos® Coffee Shop or Sertinos® Cafe Franchise (the "All American Franchise"), as more fully set forth in said Franchise Agreement.

C. During the due diligence period and during the term of the Franchise Agreement, if any, All American may reveal certain proprietary, protected or confidential information to Prospective Franchisee subject, however, to the condition that Prospective Franchisee executes this **Confidentiality Agreement**. The terms of this Agreement are effective prior to and during the term of any Franchise Agreement.

AGREEMENT

In consideration of the premises and the covenants expressed herein, and for other good and valuable consideration, the parties agree as follows:

1. **Confidentiality**. All American owns proprietary knowledge including methods, techniques, forms, specifications, procedures, information and knowledge of and experience in the operation of the All American Franchise and the sale of authorized products and services (the "Know-How"). All American will disclose the Know-How to Prospective Franchisee in furnishing certain information and guidance in the training program, the franchise Operations Manuals and in other guidance furnished to the Prospective Franchisee during the term of the Franchise Agreement. The Prospective Franchisee understands and acknowledges that it will not acquire any interest in the Know-How other than the right to use the Know-How in the development and operation of the franchise during the term of any Franchise Agreement.

The Prospective Franchisee acknowledges that the Know-How is protected, confidential and proprietary and, except to the extent that it is or becomes generally known in the frozen yogurt and ice cream business, the Know-How is a trade secret of All American and is disclosed to the Prospective Franchisee solely for use by the Prospective Franchisee in determining if it wishes to enter into a Franchise Agreement and, if so, the development and operation of the franchise during the term of the Franchise Agreement. It is disclosed on the condition that the Prospective Franchisee does hereby agree, that during the term of the Franchise Agreement and for two (2) years after the expiration and termination of the Franchise Agreement and for two (2) years from today's date, whichever last occurs, he/she/it: (1) will not use the Know-How in any business or capacity other than in operation of the All American Franchise; (2) will maintain the confidentiality of the Know-How during and after the term of the Franchise Agreement; (3) will not make unauthorized copies of any portion of the Know-How disclosed in written form; and (4) will adopt and carry out all reasonable procedures required by All American to prevent unauthorized use or disclosure of any of the Know-How, including without limitation, restrictions on disclosure thereof to employees and independent contractors of the franchise and the use of nondisclosure clauses in agreements with such persons.

The Prospective Franchisee acknowledges that it will not be possible for All American to protect its trade secrets against unauthorized use or disclosure if the Prospective Franchisee holds an interest in a business similar to the All American Franchise. The Prospective Franchisee therefore agrees that it will not, during the term of a Franchise Agreement and for two (2) years after the expiration and termination of the Franchise Agreement, have any interest as an owner, director, business, employee, consultant, representative or agent, or in any other capacity, in any other business or activity involving any type of frozen yogurt, ice cream, coffee, sandwich, and smoothie products.

2. **Materials**. All notes, data, tapes, reference items, sketches, Confidential Operations Manual, drawings, memoranda, records and other materials in any way relating to any of the Know-How referred to in Section 1 shall belong exclusively to All American and Prospective Franchisee agrees to turn over to All American all copies of such materials in Prospective Franchisee's possession or under Prospective Franchisee's control at the request of All American or, in the absence of such a request, upon the termination or expiration of the Franchise Agreement for any reason whatsoever.

3. **Intent of Covenants**. Prospective Franchisee makes the foregoing covenants irrespective of the reasons for the termination or expiration of the Franchise Agreement or even if such a Franchise Agreement is never entered. Prospective Franchisee agrees that each of the covenants set forth in this Agreement are reasonable.

4. **Accounting for Profits; Indemnification**. Prospective Franchisee covenants and agrees that if Prospective Franchisee shall violate any of the Prospective Franchisee's

covenants or agreements under this Agreement, All American shall be entitled to an accounting and repayment of all profits, compensation, royalties, commissions, remunerations or benefits which Prospective Franchisee directly or indirectly shall have realized or may realize relating to, growing out of or in connection with any such violation; such remedy shall be in addition to and not in limitation of any injunctive relief or other rights or remedies to which All American may be entitled to at law or in equity or otherwise under this Agreement. Prospective Franchisee hereby agrees to defend, indemnify and hold harmless All American against and in respect of: (i) any and all losses and damages resulting from, relating or incident to, or arising out of any misrepresentation or breach by Prospective Franchisee of any warranty, covenant or agreement made or contained in this Agreement; and (ii) any and all actions, suits, proceedings, claims, defenses, demand, judgments, costs and expenses (including reasonable attorneys' fees) incident to the foregoing.

5. **Injunctive Relief**. Prospective Franchisee understands and agrees that All American shall suffer irreparable harm in the event that Prospective Franchisee breaches any of its obligations under this Agreement and that monetary damages shall be inadequate to compensate All American for such breach. Accordingly, Prospective Franchisee agrees that, in the event of a breach or threatened breach by Prospective Franchisee of any of the provisions of this Agreement, All American, in addition to and not in limitation of any other rights, remedies or damages available to All American at law, in equity, or pursuant to contract, shall be entitled to a temporary restraining order, preliminary injunction and permanent injunction in order to prevent or restrain any such breach by Prospective Franchisee, or by any or all of Prospective Franchisee's partners, co-venturers, employers, employees, servants, agents, representatives, and any and all person directly or indirectly acting for, on behalf of or with Prospective Franchisee.

6. **Remedies**. If Prospective Franchisee fails to abide by this Agreement, All American will be entitled to specific performance, including immediate issuance of a temporary restraining order or preliminary injunction enforcing this Agreement, and to judgment for damages caused by Prospective Franchisee's breach, and to any other remedies provided by applicable law, equity or contract. **It is further agreed that if Prospective Franchisee conducts a business which is similar to an All American franchised business, Prospective Franchisee agrees to pay All American fifteen percent (15%) of gross sales. Payment is to be made within thirty (30) days after billing.**

7. **Miscellaneous.**

7.1. **Arbitration**. Any controversy or claim arising out of or related to this Agreement shall be resolved by arbitration in accordance with ORS 36.300 to 36.365. Each party shall select one arbitrator whose entire expense shall be borne by the selecting party. The two arbitrators so selected shall select a third arbitrator whose expense shall be borne equally by each of the parties. The three arbitrators so selected shall resolve all arbitrable issues by majority vote. Arbitration shall take place in Portland, Oregon. Nothing contained in the preceding paragraph shall prevent All American from filing a lawsuit with the courts of Multnomah County, Oregon, which the parties agree shall have jurisdiction over both of them, for purposes of obtaining appointment of a receiver or issuance of provisional remedies, including, but not necessarily limited to, temporary restraining orders and preliminary injunctions. The court, and no arbitrator, shall have jurisdiction and authority to determine all issues pertaining to any such receivership and provisional remedies, but either party may seek an order abating such litigation for all other issues, which shall be subject to arbitration as provided in the preceding paragraph upon entry of any such abatement order.

7.2. **Premises**. The Premises at the beginning of this Agreement are a part of this Agreement.

7.3. **Integration**. This Agreement, along with the Premises and Exhibits, represent the entire understanding of the parties with respect to the subject matter hereof and supersedes all previous and contemporaneous understandings, written or oral, with respect to the subject matter. This Agreement may only be amended, supplemented or modified by the written agreement of the parties hereto or their successors or assigns. No oral waiver, amendment, modification or supplement shall be effective under any circumstances whatsoever.

7.4. **Governing Law and Effect**. This Agreement shall be governed by and construed in accordance with the substantive law applicable to contracts executed and performed in the State of Oregon.

7.5. **Venue**. Except as prohibited by law, any action arising out of this Agreement shall be commenced in the state courts of Multnomah County, State of Oregon.

7.6. **Severability**. If any term or provision of this Agreement or the application thereof to any person or circumstance is deemed by any court having jurisdiction thereon to be invalid or unenforceable, because such provision is too broad in scope, such provision shall be construed to be limited in scope to the extent such court shall deem necessary to make it enforceable; and if any provision is deemed inapplicable by any such court to any person or circumstance, it shall nevertheless be construed to apply to all other persons and circumstances.

7.7. **Captions**. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision of this Agreement.

7.8. **Notice/Options**. Any notice, approval, consent or other communication under this Agreement shall be in writing and shall be considered given when delivered personally, or on the fourth business day after mailing by registered or certified mail, return receipt requested, to the parties at the addresses indicated below (or at such other addresses as the parties may specify by notice to the others pursuant hereto):

IF TO ALL AMERICAN:

All American Specialty Restaurants, Inc.
1201 SW 12th Avenue, Suite 415
Portland, Oregon 97205

IF TO PROSPECTIVE FRANCHISEE:

____
____
____

7.9. **Waiver**. The failure of All American to insist upon strict adherence to any term of this Agreement on any occasion shall not operate as or be considered a waiver or deprive All American of that term or of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No waiver of any of the terms or conditions of this Agreement shall be binding or effective for any purpose unless expressed in writing and executed by the party giving the waiver.

7.10. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument as if all the parties executed the same copy of this Agreement.

7.11. **Assignment and Delegation**. Prospective Franchisee may not assign its rights or delegate its duties under this Agreement without the prior written consent of All American. Any permitted assignment shall assign the entire interest of the assignor under this Agreement.

7.12. **Binding Effect**. The terms, conditions, limitations and restrictions contained in this Agreement shall be fully binding upon and benefit the parties to this Agreement and their heirs, agents, personal representatives, legal representatives, successors and assigns. Nothing contained in this paragraph shall waive or limit the effect of any provision in this Agreement restricting assignment or transfer.

7.13. **Expenses**. Each party shall pay its costs associated with preparing and reviewing this Agreement and with completing the transaction hereunder.

7.14. **Costs and Attorney Fees**. If a claim for amounts owed is asserted in any judicial proceeding, or if any party is required to enforce, defend or interpret this Agreement in a judicial, bankruptcy, or arbitration proceeding, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses, including but not limited to, reasonable accountants, attorneys, attorney assistants, arbitrators and expert witness fees, cost of investigation and proof of acts, court costs, other litigation expenses and travel and living expenses, whether incurred before, in preparation for or in contemplation of the filing of any such proceeding at trial or on any appeal. If a party is required to engage legal counsel in connection with any failure by another party to pay when due any monies owed hereunder or in connection with any failure to otherwise comply with or perform under this Agreement, the nonpaying or nonperforming party shall, within ten (10) days after written demand, reimburse the other for any of the above listed costs and expenses incurred.

7.15. **Other Documents and Actions**. All of the parties hereto shall execute such documents and take such other action as may be required or reasonably requested by the other party to carry out the provisions, purposes and intent of this Agreement.

7.16. **Acknowledgment**. Each of the parties hereto acknowledges that each party has been represented by counsel in connection with the preparation and execution of this Confidentiality Agreement and that each party has thoroughly reviewed this Agreement with that party's counsel. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement shall specifically not be applicable to the interpretation of the Agreement.

7.17. **Construction**. Wherever applicable herein, the use of the singular shall include the plural, the use of the plural shall include the singular, the use of any gender shall include all genders and shall likewise be construed as application to and including a corporation, partnership or other entity, as appropriate.

7.18. **Rights and Remedies**. All rights and remedies hereunder are cumulative and not alternative.

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

PROSPECTIVE FRANCHISEE:

ALL AMERICAN SPECIALTY RESTAURANTS, INC.
An Oregon corporation

____

By:______________________________ ________________________________
C.R. Duffie, President

EXHIBIT D

TABLE OF CONTENTS TO THE OPERATIONS MANUAL

12. Marketing

13. Sandwiches

14. Posters – Appendix A

15. Forms – Appendix B

16. Ingredients/Nutritional Information – Appendix C

(TOTAL PAGES 323)

EXHIBIT E

LIST OF EXISTING AND TERMINATED FRANCHISEES

LIST OF EXISTING FRANCHISEES AND OUTLETS AS OF DECEMBER 31, 2018

Outlet	*Franchisee(s)*
COLORADO	
Aurora 15285 E. Smoky Hill Road Aurora, Colorado 80015 (Not open yet as of 12/31/2018)	**Madanraj Jothi** Spica Foods LLC 14188 Greenfield Loop Parker, Colorado 80134 (732) 599-2267
FLORIDA	
Coral Gables 3301 Coral Way Coral Gables, Florida 33145 (786) 275-4489	**Mr. Arnaldo Brito / Mr. Miguel Escudero** 6308 N.W. 97th Miami, Florida 33178 (786) 608-9905
OREGON	
Valley River Center 598 Valley River Center Eugene, Oregon 97401 (541) 484-1249	**Company Store** (an All American brand outlet)
Valley River Center 293 Valley River Center Eugene, Oregon 97401 (541) 683-2233	**Company Store** (under the trade name Café Aroma, with a Sertinos look and feel)
Lincoln City 4095 B Logan Road Lincoln City, Oregon 97367 (541) 994-4443	**Randy and Nanette Weldon** 1400 N.E. Lake Drive Lincoln City, Oregon 97367 (541) 994-6550

Outlet	*Franchisee(s)*
Rogue Valley Mall 1600 N. Riverside Drive Medford, Oregon 97501 (541) 779-1238	**Edyth and Shawn Narlock** 3614 Fieldbrook Avenue Medford, Oregon 97504 (541) 941-6061
Clackamas Town Center 12000 S.E. 82nd Avenue Portland, Oregon 97266 (503) 654-2852	**Company Store**
Lloyd Center 2300 Lloyd Center Portland, Oregon 97232 (503) 284-5210	**Mike and Dorothy Tilka** 5712 Texas Drive Vancouver, Washington 98661 (360) 695-5365

TEXAS

Beaumont 5657 Eastex Highway Beaumont, Texas 77706 (409) 892-0600	**Cliff & Nancy Hilton** 206 Saylors Way Lumberton, Texas 77657 (409) 299-1291
Beaumont - Dowlen (HEB) 3025 Dowlen Road Beaumont, Texas 77706 (No phone – kiosk)	**Cliff & Nancy Hilton** 206 Saylors Way Lumberton, Texas 77657 (409) 299-1291
Beaumont (Parkdale Mall) 6155 Eastex Highway Beaumont, Texas 77706 (409) 658-5245	**Kevin and Tricia Pickard** 1402 Woodway Sour Lake, Texas 77659 (409) 658-5246
San Antonio - Stone Oak (HEB) 20935 US Highway 281 N San Antonio, Texas 78258 (No phone – kiosk)	**James Jones** 113 Verde Trace Bulverde, Texas 78163 (830) 438-5356
Bastrop 717 Highway 71, Ste 600 Bastrop, Texas 78602 (512) 985-5713	**James and Cindy Allen** 143 Papawai Drive Bastrop, Texas 78602 (512) 304-0772

Outlet	*Franchisee(s)*

WASHINGTON

East Wenatchee Valley Mall 511 Valley Mall Parkway East Wenatchee, Washington 98802 (509) 886-2244	**Mr. Dave Stueck** 1501 Springwater Avenue Wenatchee, Washington 98801 (509) 630-5488

TERMINATED AND ABANDONED FRANCHISEES

Below are the names, last known home addresses, and telephone numbers of every franchisee who had a franchise terminated, cancelled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year, or who has not communicated with All American within ten (10) weeks of the FDD issuance date:

Outlet	*Franchisee(s)*
NEBRASKA	
Omaha 3669 North 129th Street Omaha, Nebraska 68164 (402) 884-5557 (Closed in March 2018)	**Lynn M. Higgins** 209 First Street Silver Creek, Nebraska 68663 (308) 773-2429
OREGON	
Coquille 29 West 1st Street Coquille, Oregon 97423 (541) 396-5277 (Closed in June 2018)	**Paul Jackson** 46657 Highway 101 South Langlois, Oregon 97450 (541) 347-1400
TEXAS	
Katy (Marcel Commons) Westheimer Parkway @ Greenbusch Katy, Texas 77494 (281) 769-2066 (Closed November 2018)	**Chris and Susan Deepak** 1251 Pin Oak Road, STE 131 Katy, Texas 77494 (281) 687-1497

EXHIBIT F

FINANCIAL STATEMENTS

ALL AMERICAN SPECIALTY RESTAURANTS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018, 2017, AND 2016

TABLE OF CONTENTS

Marsha K. Elliott CPA, P. C.

5285 Meadows Rd., Suite 200
Lake Oswego, OR 97035
Phone 503.974.5085
Fax 503.305.6788
marsha@cpasnw.com
www.cpasnw.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
All American Specialty Restaurants, Inc.
Portland, Oregon

Report on the Financial Statements
We have audited the accompanying financial statements of All American Specialty Restaurants Inc., which comprise the balance sheets as of December 31, 2018, 2017 and 2016 and the related statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of All American Specialty Restaurants, Inc. as of December 31, 2018, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lake Oswego, OR
March 23, 2019

Maushak Elliott CPA, P.C.

ALL AMERICAN SPECIALTY RESTAURANTS, INC.
BALANCE SHEETS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

ASSETS

	2018	2017	2016
Current Assets:			
Cash	$ 30,048	$ 26,099	$ 25,391
Accounts receivable	5,571	6,276	4,009
Inventories	15,476	14,807	6,624
Total current assets	51,095	47,182	36,024
Property and equipment, net	33,258	23,411	14,984
Other assets	18,237	21,360	10,230
Total Assets	$ 102,590	$ 91,953	$ 61,238

LIABILITIES AND SHAREHOLDERS' EQUITY

	2018	2017	2016
Current liabilities:			
Accounts payable	$ 18,675	$ 18,572	$ 1,607
Deferred franchise revenue, current portion	5,250	525	22,219
Accrued expenses and other current liabilities	24,438	8,886	4,751
Total current liabilities	48,363	27,983	28,577
Deferred franchise revenue, net of current portion	-	2,231	2,756
Total liabilities	$ 48,363	$ 30,214	$ 31,333
Shareholders' equity:			
Preferred stock, $1000 par value: 1000 shares authorized; 951 shares, 936 shares and 871 shares issued and outstanding, respectively.	$ 951,000	$ 936,000	$ 871,000
Common stock, $100 par value: 1000 shares authorized; 949 shares, 949 shares, and 949 shares issued and outstanding, respectively	764,523	764,523	764,523
Accumulated deficit	(1,661,296)	(1,638,784)	(1,605,618)
Total shareholders' equity	54,227	61,739	29,905
	$ 102,590	$ 91,953	$ 61,238

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See accompanying notes to financial statements

ALL AMERICAN SPECIALTY RESTAURANTS, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
Operating revenues			
Initial store franchise fees	$ 29,750	$ 21,000	$ 59,500
Initial area franchise fees	2,755	1,220	2,193
Franchise royalty fees	130,761	132,717	99,964
Franchise marketing fees	24,153	24,407	20,421
Equipment and supply sales	889	17,984	23,559
Sales by franchisor-owned stores	772,687	733,640	360,221
Discounts and promotions	(21,521)	(14,600)	(3,231)
Total operating revenue	$ 939,474	$916,368	$ 562,627
Cost and expenses:			
Franchise broker commission and fees	$ -	$ -	$ 14,000
Cost of sales	221,778	230,143	117,114
Salaries, wages and employee benefits	323,460	300,493	204,771
Selling, advertising and marketing	18,662	25,251	9,835
Occupancy	225,041	197,256	125,976
General and administrative	162,931	186,196	110,924
Depreciation and amortization	10,114	10,195	5,669
Total costs and expenses	961,986	949,534	588,289
Loss from operations	(22,512)	(33,166)	(25,662)
Other income	-	-	12,731
Net loss	$ (22,512)	$ (33,166)	$ (12,931)

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See accompanying notes to financial statements

ALL AMERICAN SPECIALTY RESTAURANTS, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Preferred stock		Common stock		Accumulated	Total shareholders'
	Shares	Amount	Shares	Amount	deficit	equity
Balance, December 31, 2015	861	$ 861,000	949	$ 764,523	$ (1,592,687)	$ 32,836
Capital Contributions	20	20,000	-	-	-	20,000
Stock Redemption	(10)	(10,000)	-	-	-	(10,000)
Net loss	-	-	-	-	(12,931)	(12,931)
Balance, December 31, 2016	871	$ 871,000	949	$ 764,523	$ (1,605,618)	$ 29,905
Capital Contributions	65	65,000	-	-	-	65,000
Net loss	-	-	-	-	(33,166)	(33,166)
Balance, December 31,2017	936	$ 936,000	949	$ 764,523	$ (1,638,784)	$ 61,739
Capital Contributions	15	15,000	-	-	-	15,000
Net loss	-	-	-	-	(22,512)	(22,512)
Balance, December 31, 2018	951	$ 951,000	949	$ 764,523	$ (1,661,296)	$ 54,227

See accompanying notes to financial statements.

ALL AMERICAN SPECIALTY RESTAURANTS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017	2016
Cash flows from operating activities:			
Net loss	$ (22,512)	$ (33,166)	$ (12,931)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	10,114	10,195	5,669
Gain on sale of assets	-	-	(12,731)
Changes in operating assets and liabilities			
Accounts receivable	705	(2,266)	959
Inventory	(669)	(8,183)	4,680
Other assets	-	(15,099)	(10,230)
Accounts payable	103	16,965	(11,718)
Deferred franchise revenues	2,493	(22,219)	8,308
Accrued expenses and other current liabilities	15,552	4,135	(3,533)
Net cash provided by / (used in) operating activities	5,786	(49,638)	(31,527)
Cash flows from investing activities:			
Purchase of property and equipment	(16,837)	(14,654)	(11,813)
Proceeds from disposal of assets	-	-	50,664
Net cash (used in)/ provided by investing activities	(16,837)	(14,654)	38,851
Cash flows from financing activities:			
Capital contributions on preferred stock	15,000	65,000	10,000
Net cash provided by financing activities	15,000	65,000	10,000
Net change in cash	3,949	708	17,324
Cash, beginning of year	26,099	25,391	8,067
Cash, ending of year	$ 30,048	$ 26,099	$ 25,391
Supplemental disclosure:			
Income taxes paid	-	-	-
Interest paid	-	-	-

7

See accompanying notes to financial statements

ALL AMERICAN SPECIALTY RESTAURANTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

1. Summary of operations and significant accounting policies

Nature of operations — All American Specialty Restaurants, Inc. (the Company) was formed on January 31, 1986 and incorporated under the laws of the state of Oregon. All American Specialty Restaurants, Inc. is a franchisor of four quick service restaurant concepts; All American Ice Cream & Frozen Yogurt Shops®, All American Deli & Ice Cream Shops®, Sertinos® Coffee Shops, and Sertinos® Cafe. All stores are located in the United States.

The information about the number of stores (franchise, sub-franchise and franchisor-owned) for each of the 3-year periods ended December 31 is as follows:

	2018	2017	2016
Stores at January 1	16	18	19
New stores sold or acquired	1	-	2
Stores closed defaulted or abandoned	(3)	(2)	(3)
Stores at December 31	14	16	18
Stores under planning or development at December 31	1	-	4
Stores in operation at December 31	13	16	14
Franchised stores	7	9	11
Subfranchise stores	4	4	5
Franchisor-owned stores	3	3	2
Stores at December 31	14	16	18

The following is a summary of revenue and costs by franchisor owned stores:

	2018	2017	2016
Franchisor-owned stores:			
Revenue	$751,164	$733,640	$360,220
Cost and expenses	(759,714)	(679,934)	(345,936)
	$ (8,550)	$ 53,706	$ 14,284

1. Summary of operations and significant accounting policies — continued

Accounting principles — The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America.

Evaluation of subsequent events — The Company has evaluated subsequent events through March 23, 2019, the date which the financial statements were available to be issued.

Use of estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Revenue recognition — The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement and all material services or conditions relating to the sale have been substantially performed or satisfied by the Company, the price is fixed or determinable and collectability is reasonably assured. In addition to the aforementioned general policy, the specific revenue recognition policies for each major category of revenue and for multiple element arrangements are as follows:

Initial store franchise fees — The franchise agreements require the franchisee to pay an initial, nonrefundable fee of $35,000 for the term of 10 years which is renewable for an additional 10 years subject to the approval by the Company and payment of a renewal fee. Services provided by the Company include assistance in site selection, personnel training and on-site pre-opening assistance. Nonrefundable initial store franchise fees paid by franchisees are deferred as deferred franchise revenue and then recognized as revenue when each component of services and conditions required to be performed by the Company has been substantially completed. Revenues from initial store franchise fees are fully recognized upon the grand opening of the franchised restaurant.

Initial area franchise fees — Pursuant to the area sub-franchise agreement, area franchisors are required to pay the Company non-refundable initial area franchise fees for an exclusive right to sell franchises in a defined geographic territory as an area franchisor. The initial area franchise fees are typically determined based on a certain price per qualified population of the exclusive territory. Area franchisors are responsible for advertising, soliciting and screening prospective subfranchisees and serve as franchisors in the defined geographic territory. The agreements are for an initial period of 10 years, with the option to extend for an additional 10 years. The area franchise agreements specify the minimum number of stores to develop. Revenue from nonrefundable initial area franchise fees are also deferred as deferred franchise revenue and recognized when services or conditions relating to the sales are substantially performed or satisfied by the Company over the period covered by the area franchise agreement.

1. Summary of operations and significant accounting policies — continued

Initial subfranchise store fees – The area franchisor pays the Company a certain amount of fees for each subfranchise store sold by the area franchisor. Revenues from non-refundable subfranchise fees sold by the area franchisor are recognized when services or conditions relating to the sales are substantially performed or satisfied by the Company.

Franchise royalty and marketing fees – Franchise royalty fees, as required by the franchise agreement, are accrued based on 6% of gross receipts, as defined by the franchise agreement. Additionally, the franchise agreement requires franchises to pay the Company franchise marketing fees based on 1% of the gross receipts. The area franchisor also pays the Company a certain percentage of continuing franchise royalties generated from the subfranchisee within the defined territory. Continuing franchise royalties and marketing fees are receivable at least once a month.

Equipment and supply sales – Sales of store equipment and supplies are recognized when the title of the products is transferred to the customer.

Sales by franchisor-owned stores – Sales at the franchisor-owned stores are recognized when payment is tendered at the point of sale. Sales are reported net of sales, use or other transaction taxes that are collected from customers and remitted to taxing authorities.

Advertising expense — The Company expenses advertising costs as they are incurred for developing and attracting franchises. Advertising expenses for the years ended December 31, 2018, 2017 and 2016 were $18,662, $25,251, and $9,835, respectively.

Cash and cash equivalents — The Company considers all highly liquid securities and debt instruments purchased with an original maturity of 90 days or less to be cash equivalents. The Company limits its exposure to credit risk associated with cash by placing their cash with federally insured financial institutions. At December 31, 2018, 2017, and 2016, the Company did not have any cash that was exposed to uninsured deposit risk.

Accounts receivable — Accounts receivable are generated from monthly royalties, other fees and equipment and supplies sold to franchisees. Credit risk is driven by conditions or occurrences within the economy and is dependent upon the franchisees' financial condition. Receivables are generally not secured by collateral. The allowance for doubtful accounts is based on management's estimate of expected collectability of its then outstanding trade accounts and historical experience and is reviewed periodically. Account balances are written off when management determines it is probable the receivable will not be collected. There were no accounts receivable aged over 90 days at December 31, 2018, 2017, or 2016. As of December 31, 2018, one customer's account receivable comprised forty-six percent of total accounts receivable.

1. **Summary of operations and significant accounting policies — continued**

Fair value of financial instruments — The fair value of financial instruments are the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts reflected in the balance sheets for cash, accounts and notes receivable and accounts payable approximate their fair value principally because of the short-term nature of these instruments.

Inventories — Inventories consist primarily of food supplies for the franchisor-owned store and are stated at the lower of cost (average) or market.

Property and equipment, net — Property and equipment are stated at cost. Additions, renewals, and improvements are capitalized, while expenditures for maintenance, repairs, and minor renewals are charged to expense. Gains or losses realized from sales or retirements are reflected in operating income. Depreciation is computed using the straight-line method over the asset's estimated useful life.

Compensated absences — Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize the costs for compensated absences when actually paid.

Income taxes — The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income of the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax benefits of uncertain tax positions are recognized only when it is more likely than not that the tax positions will be sustained upon examination. The Company's policy is to classify income tax related interest and penalties, if any, in income tax expense. There have been no accruals for the years ended December 31, 2018, 2017 and 2016 for uncertain tax positions. The Company is subject to routine audits by taxing jurisdictions. There are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to December 31, 2015.

2. Accounts and notes receivable

Management has evaluated accounts receivable as of December 31, 2018 and determined that all amounts are collectible and no allowance for uncollectible amounts is necessary.

3. Property and equipment, net

Property and equipment, net consisted of the following at December 31:

	2018	2017	2016
Leasehold improvements	$17,117	$17,117	$13,119
Office equipment	66,483	66,483	64,576
Store equipment	47,545	30,706	21,956
	131,145	114,306	99,651
Less accumulated depreciation	(97,887)	(90,895)	(84,667)
Net property and equipment	$33,258	$23,411	$14,984

Depreciation and amortization relating to property and equipment charged to expense was $10,114, $10,195, and $5,669 for the years ended December 31, 2018, 2017 and 2016, respectively.

4. Deferred franchise revenue

The following table summarizes deferred revenue related to the franchise operations of the Company at December 31:

	2018	2017	2016
Deferred franchise revenue:			
Initial store franchise revenue	$ 5,250	$ -	$ 21,000
Initial area franchise revenue	-	2,756	3,975
	$ 5,250	$ 2,756	$ 24,975

At December 31, deferred franchise revenue is reflected on the accompanying financial statements as follows:

	2018	2017	2016
Current portion	$ 5,250	$ 525	$ 22,219
Noncurrent portion	-	2,231	2,756
	$ 5,250	$ 2,756	$ 24,975

5. Lease commitments

The Company leases its corporate office and store locations under non-cancellable operating leases. The future minimum lease payments for the next five years as of December 31, 2018 are as follows:

Year	Amount
2019	$ 153,018
2020	126,300
2021	29,994
2022	23,911
2023	2,052

Lease expense under these noncancellable operating leases aggregated is $201,325, $176,572, and $112,124 for the years ended December 31, 2018, 2017, and 2016, respectively. The Company was a guarantor on a franchisee's lease that expired in September 2011. When the lease was extended by a new agreement, the lessor did not require the Company sign a guarantee agreement for the new lease. Lease payments continue to be payable by the franchisee directly to the lessor. In the event of nonpayment by the franchisee, the Company can still be liable for unpaid lease payments.

During the year ended December 31, 2016 the Company sold all of the assets of their Medford operations to a new franchisee. As part of the agreement, the franchisee has sublet the premises from the Company with the landlord's consent. Under the terms of the sublease, the franchisee makes payments directly to the landlord in amounts equal to the original terms of the lease.

The future minimum lease payments that apply to this agreement are as follows:

Year	Amount
2019	$ 13,674
2020	14,084
2021	14,507
	$ 42,265

6. Income taxes

Income tax provision (benefit) for the years ended December 31 is as follows:

Income tax provision	2018	2017	2016
Current income tax (benefit)	$ -	$ -	$ -
Deferred income tax provision (benefit)	(121,840)	13,100	(18,100)
Change in valuation allowance	121,840	(13,100)	18,100
	$ -	$ -	$ -

The Company's effective tax rate differs from the U.S. federal tax statutory rate because of certain nondeductible items for income tax purposes and valuation allowance. Deferred tax assets and liabilities consisted of the following:

Deferred tax assets (liablities):	2018	2017	2016
Net operating loss carryforward	$ 260,000	$ 387,000	$ 365,000
Deferred franchise revenues	760	1,000	9,200
Property and equipment	600	(5,600)	(3,600)
Intangibles assets	500	1,300	-
Valuation allowance	(261,860)	(383,700)	(370,600)
	$ -	$ -	$ -

At December 31, 2018, the Company had Federal and state net operating loss (NOL) carryforwards of approximately $985,000 and $757,000, respectively, for income tax purposes. These carryforwards can be used to offset future taxable income. Federal and state NOL carryforwards have begun to expire in varying amounts through 2037 and have been adjusted from prior year to account for such expirations. For years beginning after December 3, 2017, net operating losses incurred after this date may be carried forward indefinitely but may offset only eighty percent of taxable income.

7. Shareholders' equity

The preferred shares are nonvoting and are redeemable by the Company at par plus accrued dividends at any time upon 60 days written notice. In the event of the Company's dissolution, preferred shareholders shall be entitled to receive $1,000 per share, plus accrued dividends, before any sum shall be distributed to holders of common stock. No dividends were paid during the years ended December 31, 2018, 2017, or 2016.

Marsha K. Elliott CPA, P. C.

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Fax 503.305.6788
marsha@cpasnw.com
www.cpasnw.com

To the Board of Directors
All American Specialty Restaurants, Inc.
Portland, Oregon

CONSENT OF INDEPENDENT AUDITORS

Marsha K. Elliott CPA, P.C. consents to the use in the Franchise Disclosure Document issued by All American Specialty Restaurants, Inc. as of April 15, 2019, of our report dated March 23, 2019, relating to the financial statements of the All American Specialty Restaurants, Inc. as of and for the years ended December 31, 2018, 2017 and 2016

April 15, 2019

Marsha K Elliott CPA, P.C.

EXHIBIT G

STATE SPECIFIC ADDENDUM TO FRANCHISE AGREEMENT

The following modifications are to the All American Franchise Disclosure Document and may supersede, to the extent then required by valid applicable federal, state law, certain portions of the All American Franchise Agreement dated _____________, 20___.

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.

Neither the franchisor, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043 PROVIDE RIGHTS TO THE FRANCHISEE CONCERNING TERMINATION, TRANSFER OR NON-RENEWAL OF A FRANCHISE. IF THE FRANCHISE AGREEMENT CONTAINS A PROVISION THAT IS INCONSISTENT WITH THE LAW, THE LAW WILL CONTROL.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur at Clark County, Washington for franchises governed by the Washington State Investment Protection Act and at Multnomah County, Oregon in all other cases, with costs being borne by the party who does not prevail. This provision may not be enforceable under California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of the State of Oregon. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires Company to give you a disclosure document, in the form and containing the information as the Commissioner may by rule or order require, before we ask you to consider a proposed material modification of your franchise agreement.

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).

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

RHODE ISLAND

Rhode Island Addendum in Item 17 should state "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 the state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

MINNESOTA

Minnesota law prohibits requiring a franchisee to waive his or her rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes; provided, that this part shall not bar a voluntary arbitration of any matter if the proceeding is conducted by an independent tribunal under the rules of the American Arbitration Association. [Minn. Rules 2860.4400(J).]

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction

The Franchise Agreement and FDD must state that the franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minn. Rule 2860.4400D prohibits the franchisor from requiring a franchisee to assent to a general release. The FDD and Franchise Agreement are modified accordingly, to the extent required by law.

With respect to the franchises governed by Minnesota law, the franchisor will comply with Minnesota Statute 80C.l4 subdivisions 3, 4, and 5 which require except in certain specific cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

ILLINOIS

The parties agree:

Section 4 of the Illinois Franchise Disclosure Act, and Rule 200.608 of the Rules and Regulations promulgated thereunder, dictates that "any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a Franchise Agreement may provide for arbitration in a forum outside of this State." Section 41 of the Act and Rule 200.609 also void any attempt to waive compliance with Illinois law.

Any provision in the Franchise Agreement which has as a choice of law the authority in a state which would negate the Illinois Franchise Disclosure Act is considered void.

MARYLAND

MARYLAND (COMAR 102102.02.08.16 Fraudulent Practice): Claims under the Maryland Franchise and Disclosure Law must be brought within three years of the grant of the franchise.

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C. Section 101 et seq.).

Franchisee may bring a lawsuit in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

WASHINGTON

The State of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington, in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator, to the extent required by Washington law.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer, to the extent required by Washington law.

VIRGINIA

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

ACKNOWLEDGMENT

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated the ____ day of _____________, 20___, and of the Franchise Disclosure Document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect unchanged.

Dated this ____ day of __________________, 20___.

ALL AMERICAN SPECIALTY RESTAURANTS, INC.	FRANCHISEE: ______________________________
By:___________________________ C.R. Duffie, Jr., President	______________________________

MUST BE SIGNED BY ALL OWNERS AND MANAGERS OF AN ENTITY FRANCHISEE.

EXHIBIT H

GENERAL RELEASE RELATIVE TO TRANSFER OF FRANCHISE

To all whom these Presents shall come or may Concern, know that ____________ as RELEASOR who is also a franchisee of All American Specialty Restaurants, Inc., in consideration of _____________________ releases and discharges All American Specialty Restaurants, Inc. (the RELEASEE), RELEASEE's officers, directors, managers, attorneys, executors, successors and assigns from all actions, causes of action, suits, debts, contracts, controversies, agreements, promises, damages, judgments, claims, and demands whatsoever, in law or equity, which against the RELEASEE, the RELEASOR, RELEASOR'S heirs, executors, administrators, successors, and assigns ever had, now have or hereafter can, shall or may, have for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE.

Whenever the text hereof requires, the use of singular number shall include the appropriate plural number as the text of the within instrument may require.

This RELEASE may not be changed orally.

____

____

EXHIBIT RECEIPT

ACKNOWLEDGMENT OF RECEIPT OF DISCLOSURE DOCUMENT

ALL AMERICAN SPECIALTY RESTAURANTS, INC.

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 **All American Specialty Restaurants, Inc.** offers you a franchise, it must provide this Disclosure Document 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If **All American Specialty Restaurants, Inc.** does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the state agency listed on Exhibit A.

All American's main sales contact for this offering is as follows: C.R. Duffie at 1201 SW 12th Avenue, Suite 415, Portland, OR 97205, telephone number (503) 224-6199.

Date of issuance: April 1, 2019.

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document dated April 1, 2019 that included the following Exhibits:

Exhibit A - List of State Administrators/Agents for Service of Process
Exhibit B - Franchise Agreement
Exhibit C - Confidentiality Agreement
Exhibit D - Table of Contents to Operations Manual
Exhibit E - List of Existing and Terminated Franchisees
Exhibit F - Financial Statements
Exhibit G - State Specific Addendum to Franchise Agreement
Exhibit H - General Release Relative to Transfer of Franchise

DATED this __ day of ____________, 2019

PROSPECTIVE FRANCHISEE:

If a business entity:

____
Franchisee (type or print entity's name)

By: _______________________________
Signature

If an individual:

____
Franchisee (type or print individual's name)

____
Signature

*****EXECUTE AND RETAIN THIS COPY FOR YOUR RECORDS*****

EXHIBIT RECEIPT

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DATED this __ day of ____________, 2019

PROSPECTIVE FRANCHISEE:

If a business entity:

____
Franchisee (type or print entity's name)

By: __________________________________
Signature

If an individual:

____
Franchisee (type or print individual's name)

____
Signature

*****EXECUTE AND RETURN THIS COPY TO FRANCHISOR*****