FRANCHISE DISCLOSURE DOCUMENT

CHURNED CREAMERY INTERNATIONAL, INC.

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CHURNED CREAMERY INTERNATIONAL, INC.,
a California corporation
1295 South Lewis Street
Anaheim, CA 92808
714-753-1190
www.churnedcreamery.com

As a franchisee, you will own and operate a Churned Creamery store. Churned Creamery offers frozen dessert products produced by its exclusive state-of-the-art equipment and ingredients to provide a unique ice cream experience through customizable ice cream options handcrafted at the store. The total investment necessary to begin operation of a Churned Creamery franchised business is **$303,000-$579,000.** This includes the initial franchise fee of $30,000 for the first outlet that must be paid to us. If you are approved to open subsequent Churned Creamery store or stores, the initial franchise fee will be reduced to $25,000 for your second store and to $20,000 for your third and any additional Stores.

In the case of an area developer, the initial Development Fee is to be paid at the time the Area Development Agreement is signed which covers the initial franchise fees to be paid for the Stores to be developed under the Area Development Agreement. The franchise fee for any additional Stores under the Area Development Agreement will be $20,000 per Store. Your estimated initial investment as an area developer will therefore vary based on the total number of restaurants to be developed.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully.

You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Note, however, that no governmental agency has verified the information contained in this document.

You may wish to receive your Disclosure Document in another format that is more convenient for you.

To discuss the availability of disclosures in different formats, contact our Franchise Administrator at 1295 South Lewis Street, Anaheim CA 92805 PH 949-753-1190.

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 contracts carefully. Show your contracts and this Disclosure Document to an advisor, like a lawyer or an accountant.

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

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

them. Issuance Date: ~~March 30, 2018~~ March 14, 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 1 for information about the franchisor, 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 ARBITRATION ONLY IN CALIFORNIA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA 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. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE CONTROL.

4. YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTEE MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT. THE GUARANTEE WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

5. THE FRANCHISOR HAS BEEN OFFERING FRANCHISES FOR A SHORT PERIOD OF TIME. THEREFORE, THERE IS ONLY A BRIEF OPERATING HISTORY TO ASSIST YOU IN JUDGING WHETHER OR NOT TO MAKE THIS INVESTMENT.

6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Date:

California: ~~June 14, 2018~~Pending

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ITEM 1

THE FRANCHISOR AND ANY PARENTS PREDECESSORS AND AFFILIATES

A. Terms

To simplify the language in this Disclosure Document, "we" or "us" means Churned Creamery International, Inc., the Franchisor. "You" means the person that buys the franchise. If a corporation, partnership or other entity buys the franchise, "you" refers collectively to all persons who own an interest in the entity. "Churned Creamery Store" means the store we license you to operate. "Single unit franchise" means the right to own and operate one Churned Creamery Store.

B. Our Business

We are in the business of selling franchises for an ice cream store operating under the CHURNED CREAMERY name and related marks. A Churned Creamery Store ("Store") specializes in the preparation and sale of frozen dessert products produced by our exclusive state-of-the-art equipment and ingredients to provide a unique ice cream experience through customizable ice cream options handcrafted at the store. The Stores are located at locations approved by us, such as in strip shopping centers, shopping malls, and free-standing units. In some cases, you may be authorized to offer catering services but only with our approval.

C. We, Our Parents Predecessors and Affiliates

We are a California corporation formed on July 24, 2015. Our principal business address is 1295 South Lewis Street, Anaheim CA 92805. We do business under our brand name "Churned" or "Churned Creamery." We do not do business under any other name. We have no predecessors, and we have not offered franchises for any other line of business. We do not have a parent company.

Our affiliate, Logiclink, Inc, located at 4701 Teller Ave, Newport Beach, CA 92660, is an approved supplier for the POS system for our Churned Creamery Stores, and offers similar systems to hotels and restaurants. It has never offered or intends to offer any franchises.

Our affiliate, Innovative Food Systems, Inc. located at 1295 South Lewis Street, Anaheim, CA 92805, is an ice cream equipment and ice cream mix distributor, and sells certain equipment to the Churned Creamery franchisees, as well as ice cream mixes to other retain outlets. It has never offered or intends to offer any franchises.

Prior to May 1, 2018, several of our owners also owned, Creamistry Franchise, Inc., 22755 Savi Ranch Pkwy. #G, Yorba Linda, CA 92887 which offers ice cream franchises using a different equipment configuration and process. On May 1, 2018 those owners are no longer owners of us. Therefore, Creamistry Franchise, Inc. is no longer an "affiliate." There are several Creamistry franchisees who became Churned franchisees and own both branded stores.

D. Special Industry Regulation

You must comply with laws and regulations that apply to businesses generally, and also specifically to restaurants and businesses serving snacks, food and beverages. Generally, applicable laws and regulations include tax rules, labor laws, business license requirements, laws on construction of business premises, zoning rules, requirements for parking and access, the Americans with Disabilities Act, export control laws pertaining to technology, and laws on storage, preparation, packaging, labeling and sale of food to the public. Many places have laws against smoking inside Stores.

You should investigate all general laws in evaluating the franchise,

You must comply with all local, state and federal laws that apply to businesses generally, including the Fair Labor Standards Acts and state laws governing various matters, such as minimum wage, overtime and other working conditions. Increases in the minimum wage can increase your labor costs and affect your bottom line. You also must comply with the provisions of the Americans With Disabilities Act, which requires that employers provide reasonable accommodations for employees and customers with disabilities. Additionally, you must comply with all local, state and federal laws applicable to stores, including licensing, health, sanitation, smoking, safety, fire and other matters, Equal Employment Opportunity Commission and Occupational Safety and Health Administration regulations, food and safety regulations, discrimination, employment, sexual harassment, tax and environmental laws and laws and regulations on citizenship or immigration status. Various federal and state agencies, including the U.S. Food and Drug Administration and the U.S. Department of Agriculture and state and local health and sanitation agencies have regulations for the preparation of food and the condition of store facilities. The Clear Air Act and state implementing laws also may require certain geographic areas to attain and maintain certain air quality standards for ozone, carbon monoxide and particulate matters. As a result, businesses involved in commercial food preparation may be subject to caps on emissions.

Some states may require franchises to obtain store, business, occupational, food products, and miscellaneous licenses. You also may have to obtain health licenses and to comply with health laws and regulations that apply to store and food product establishments. In addition, some states and local governments also may require you to comply with laws relating to the labeling that is included on your menus, menu boards, and related materials.

You must ensure that your POS or your credit card processing terminals (which ever are responsible for processing credit card transactions) are in compliance with the most current Payment Card Industry (PCI) standards. This currently includes at a minimum completing required assessments by the credit card associations, performing quarterly scans of the network, and in some cases may include on-site audits. You are solely responsible for complying with these regulations in a timely manner and for all costs of maintaining compliance. We may provide you with communications, education, training materials or software updates to assist you in maintaining PC1 compliance, but you remain solely responsible for remaining compliant. Please note that if your POS or credit card terminal is compliant, this does not necessarily mean that your business is compliant. Please consult with your credit card provider for information on what is required for your business.

You should also consult with your attorney and other advisors about laws and regulations that may affect your Store.

E. <u>Competition and the Market</u>

You will face competition from other ice cream shops, frozen yogurt shops, and other frozen dessert shops, both franchised and independent, as well as other Churned Creamery Stores, and Creamistry stores. You will also face competition from any retail establishments that sell ice cream or frozen dessert items including other restaurants, other fast food establishments, and grocery stores.

Your Store could be adversely affected by negative publicity related to food quality, illness, injury or other health concerns of other Stores that you do not own or operate, and at other establishments serving ice cream and frozen desserts.

F. Agent for Service of Process

Our agent for service of process in this state is listed in Exhibit A.

ITEM 2

BUSINESS EXPERIENCE

President and CEO, Treasurer, Corporate Secretary and Director: Amy Hsaio
Amy Hsaio became our President and CEO in May 2016. Ms. Hsaio is the Senior Vice President and Chief Operating Officer of Logiclink, Inc. , since 2000, and of Touch and Serve, Inc., sine 2013, both of which operate from our offices, 22875 Savi Ranch Pkwy #B. Ms. Hsaio is also an owner of a Creamistry franchise store. Previously, Ms. Hsaio was the managing partner and CFO of Logic Technology, Inc. from 1999.

Chief Operating Officer: James Pham
James Pham became our~~t~~ COO in May 2018. Previously, Mr. Pham worked for Lee's Sandwiches in Garden Grove from March 2017 to May 2018 as Lead Trainer/Area Manager. Prior to that Mr. Pham was Director of Operations for Office Interiors in Costa Mesa, CA from March 2013 to December 2016.; Prior to that Mr. Pham was the Founder and partner of Nalu's Island Grill in Irvine , CA from October 2001 to December 2013.

Franchise Sales Director: Devin Conner
Devin Conner has been our Franchise Sales Director from November 2015. Since March 2011 to December 2015, Mr. Conner served as a franchise consultant with Franchise Marketing Systems in Cumming, Georgia. From Jan. 2009 to June 2011, he served as Manager at Hermosa Restaurant Group, LLC in Hermosa Beach, California.

Trainer: Tuan Le
Tuan Le has been our corporate trainer beginning January 2019; In 2017, Mr. Le and his wife purchased and have operated what use to be our company owned Churned Creamery store in Tustin, California, where initial training for new franchisees takes place. Previously Mr. Lee worked as a Mechanic Technician at King Plastics in Orange, California since 2008.

ITEM 3

LITIGATION

Except as provided below, n~~N~~o litigation is required to be disclosed in this Item.

Juwon Investments, LLC, and Andrew Yun v. Jay Yim, Amy Hsiao, churned Creamery International, Inc., Innovative Food Systems, Inc, Creamistry Franchise, Inc., and Logiclink. Orange County Superior Court Case No. 30-2019-01042740-CU-BC-CJC . On January 7, 2019, our franchisee of the Irvine Churned Creamery store sued us, our owner, a former officer, two affiliates, and a former affiliate alleging numerous causes of action in connection with the purchase if their franchise in March 2016, including intentional misrepresentation, negligent misrepresentation, breach of implied covenant of good faith and fair dealing , conspiracy to commit fraud, etc. We categorically deny any wrongdoing, and are vigorously defending this action. We have filed a demurrer to all causes of action (that the complaint fails to allege sufficient facts to constitute a cause of action, and based o the statute of limitations), and a motion to strike, numerous portions based on improper allegations and improper requests for relief; the hearing is set for April 29, 2019.

ITEM 4

BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5

INITIAL FEES

A. Franchise Fee

You must pay a uniform initial franchise fee of $30,000 ("Initial Franchise Fee") at the time you sign the Franchise Agreement (see Exhibit C). The Initial Franchise Fee is paid in a lump sum when you sign the Franchise Agreement and is non-refundable. If you qualify for additional franchises, the Initial Franchise Fee will be reduced to $25,000 for your second Store and $20,000 for your third and any additional Stores.

B. Area Development Agreement - Fee

When you sign the Area Development Agreement, you must pay us the initial non-refundable Development Fee equal to the initial franchise fees for the agreed upon Churned Creamery Stores to be developed under the Area Development Agreement. Once paid, the Development Fee is not refundable regardless of whether you develop the required number of Stores.

Except as provided below, there is no exception to our no-refund policy of the Initial Franchise Fee. We use the initial franchise fee to cover the costs of evaluating your proposed site, training you and your employees, and helping you to develop and open your Churned Creamery Store, and for keeping your desired area off the marker for potential other franchisees.

We may offer to waive the Franchise Fee or reduce it under certain circumstances. We also may offer to waive or reduce the Franchise Fee, for the following reasons: (i) as an inducement for existing franchisees to open additional Stores, (ii) as an inducement for someone to take over an operating franchised Stores; (iii) as an inducement for a professional multi-unit franchisee to open several Stores;(iv) to allow a franchisee to have additional money to spend on store development, improvements and/or marketing during the first 12 months of operation; where special circumstances are present; or (v) any other business reasons we consider justified or necessary to waive or reduce the Franchise Fee. We will make the decision on the amount of any waiver or reduction on an individual basis depending on the condition of the premises, the need for upgrades and remodeling, the need for special incentives and/or other considerations. In certain rare circumstances, we may permit installment payments of the

Initial Franchise Fee on terms negotiated with the franchisee. Upon request by potential franchisees, we will keep open our records with respect to the reduced fees for inspection.

C. Application Process

You must complete a comprehensive franchise application. We will provide you with this Franchise Disclosure Document, and ask for preliminary financial and biographic information, which you are required to furnish accurately and completely. We evaluate your application and decide if more discussion with you may be productive. If we accept your franchise application and we send you the notice of acceptance, you must sign the Franchise Agreement and pay the Initial Franchise Fee within 30 days of acceptance. If you fail to do so, we have no obligation to sell you a Churned Creamery franchise, and may, withdraw approval any time after the 30 days.

ITEM 6

OTHER FEES

Type of fee	Amount	Due Date	Remarks
Royalty Fee	7% of Gross Sales	Payable on or before Wednesday each week based on Gross Sales during the prior week. We require payment by electronic funds transfer ("EFT").	See Note 2 for the definition of Gross Sales.
Catering services fee	$1200 per year	Payable when you are authorized to offer catering services, and annually thereafter	You will not be authorized to offer catering services until you purchase the required catering equipment.
Marketing Fee	1.5% of Gross Sales.	Payable monthly on or before 10th of each month via EFT	See Note 2 for definition of Gross Sales.
Local Advertising	1% of gross sales	On an ongoing basis in your local community.	Payable to vendors as agreed. See Note 3
Additional training	Up to $300/day	Before start of training.	You must pay training fees for any additional training, or for new employees. Also see Note 4

Renewal Fee	1/2 of the then-current franchise fee	Within 30 days of the date when you give notice of your exercise or renewal option, which must be at least 12 months before expiration of the current term.	You will only need to pay this fee if you renew the Franchise Agreement.
Transfer Fee	$20,000	At least 30 days before transfer	Franchise Agreement defines what events constitute "transfer" requiring payment of a fee.
Alternative Supplier testing fee	Based on our actual cost	When approval of an alternative supplier is requested by you	This covers the costs of testing new products or approving new suppliers you propose.

Audit	Cost of inspection or audit	On receipt of invoice	You reimburse us for the full cost of the audit if audit discloses understating Store Gross Sales by 2% or more.
Late Payment	Late charge equal to 5% of payment due, together with interest at one percent (1%)	On receipt of invoice	Interest is payable on entire overdue amount beginning with the date payment is due until payment, late charge and interest is paid
Dishonored Item Fee	$25 plus reimbursement of any financial institution charge to us	On notice following a dishonor, or non-payment.	
Franchise Agreement violation Fee	$1,000 per offense	On notice following a violation	Due if you fail to timely cure a non-monetary default
Indemnification	Will vary under circumstances	As incurred	You reimburse losses we suffer from the operation of your business

Late Payment	Late charge equal to 5% of payment due, together with interest at one percent (1%) per month, not to exceed highest legal rate. See Note 5	On receipt of invoice	Interest is payable on entire overdue amount beginning with the date payment is due until payment, late charge and interest is paid in full.
Dishonored Item Fee	$25 plus reimbursement of any financial institution charge to us	On notice following a dishonor, or non-payment.	
Franchise Agreement violation Fee	$1,000 per offense	On notice following a violation	Due if you fail to timely cure a non-monetary default
Indemnification	Will vary under circumstances	As incurred	You reimburse losses we suffer from the operation of your business
Costs and Attorneys Fees	Will vary under circumstances	As incurred	Awarded to prevailing party if you and we are involved in any legal claim

Note 1: All fees are payable to us and are non-refundable. At this time, we impose fees uniformly, unless otherwise indicated. However, we retain discretion to reduce fees in individual cases in our discretion.

NOTE 2: "Gross Sales" means total selling price of all services and products and all income of every other kind and nature related to the Store (including, without limitation, income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Store), whether for cash or credit and regardless of collection in the case of credit, including all proceeds from the sale of coupons, gift certificates or vouchers, and reloadable gift cards upon redemption. but excluding sales taxes. The Franchise Agreements requires payment by electronic funds transfer ("EFT").

NOTE 3: You will be required to provide us with receipts showing these expenditures upon request

NOTE 4: We conduct initial training at the training center in Newport Beach, California where our headquarters is currently located or at an alternate location in the United States that we specify from time to time.

Note 5: The highest interest rate allowed in the State of California is ten percent (10%)

ITEM 7

ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment
Initial Franchise Fee (1)	$30,000	Lump sum	At signing of Franchise Agreement	Us
Training Fee(1)	Included for up to 2 persons			N/A
Real Estate Analytic Research Services (11)	$10,000-$15,000	As Arranged	When Incurred	Designated Vendor
Real Estate Security/Utility Deposits, Licenses and Prepaid Fees (2)(10)	$15,000-$25,000	As arranged	When Incurred	Landlord, Government Agencies
Equipment & Furniture (3)	$120,000-$150,000	As arranged	When Incurred	Suppliers
Optional Catering Services Equipment (3)	$50,000-$75,000	As Arranged	When Incurred	Equipment vendors
Leasehold Improvements (4)	$60,000-$250,000	As arranged	When Incurred	Suppliers
Opening Inventory (5)	$5,000-$20,000	As arranged	When Incurred	Suppliers and Franchisor
Insurance (6)	$3,000-$7,000	As arranged	When Incurred	Insurance Provider
Signage, Menu Board (7)	$10,000-$22,000	As arranged	When Incurred	Suppliers
Grand Opening Promotion (8)	$15,000-$20,000	As arranged	When Incurred	Suppliers
Cash Registers/Other Office Equipment (9)	$10,000- $15,000	As arranged	When Incurred	Suppliers
Additional Funds - 3 months (12)	$30,000	As arranged	When Incurred	Employees and Suppliers
TOTAL BASIC PACKAGE* (does not include optional catering services equipment)	**$303,000- $579,000**			

*As an Area Developer Your estimated initial investment will vary based on the total number of Stores to be developed. But will generally be similar to the above chart per Store. Some expenses will not necessarily need to be duplicated.

1. The Initial Franchise Fee is non-refundable, unless otherwise specified. All other fees are also

non-refundable. If you qualify for more than one location, the Initial Franchise Fee will be reduced to $25,000 for your second Store and $20,000 for your third and any additional Stores. In the case of an Area Development Agreement, you must pay us the initial non-refundable Development fee equal to the initial franchise fees for the Churned Creamery Stores to be developed under the Area Development Agreement; and (ii) $20,000 as the franchise fees for any additional Stores to be developed under the same Area Development Agreement. Once paid, the Development Fee is not refundable. The initial training is **MANDATORY** and provided at no additional charge for 2 people (you and your manager). If you, or your manager, miss a class, we will charge a $1,000 re-training make up class, which you are required to pay Us. If you, or your manager, fail to pass the initial training, you immediately must undergo a retraining, and pay us a re-training fee of $5,000.

2. A Churned Creamery Store occupies approximately 400 to 2,000 square feet of space. The terms of the lease and the amount of the monthly lease payment and security deposit will likely depend on the geographic location and size and condition of the premises and the demand for the premises by other prospective tenants. These recurring overhead costs cannot be estimated. You will lease space from the owner of the mall or retail center on terms negotiated and decided by you and the owner. The lower figure contemplates a security deposit equal to one month's rent and the higher figure contemplates a security deposit equal to two months.

3. This includes all kitchen equipment/fixtures as well as dining tables and chairs, and the small kitchen-wares. The lower figures in the table would apply to the smaller 400 sq ft. space and scaled down business format such as a interior Mall or other institutions such as universities, amusement parks, hospitals, airports, etc., referred to as High Density location where no furniture is needing to be purchased by you. If you qualify and we approve, you may offer catering services after purchasing the required truck, trailer, equipment package and follow our guidelines. You will not offer catering services otherwise.

4. Leasehold improvement and construction costs vary significantly depending on the condition, location, size and configuration of the Store premises, the layout of the mall or retail center, and other factors relating to the geographic location of the business, suppliers, government regulations, labor costs and other considerations. The lower figure in the table would apply to the smaller 400 sq ft. space and scaled down construction. You must use an approved contractor for your tenant improvements. You will contract directly with the architect, construction contractor and possibly other construction suppliers on terms negotiated by you. If you do not use our approved contractor, you must pay us a contractor supervision fee of $20,000 before engaging your contractor to compensate us for our time in having to work with your contractor on a continuing basis to oversee the project to verify the contractor is complying with our standards and specifications. We do not assume liability for either the approved contractor or your contractor as we supervise.

5. This includes food and beverage products, paper products, utensils, cleaning supplies, and printing and other supplies, including without limitation uniforms. The amounts required may be less than the lower figure for a scaled down interior Mall or High Density location.

6. You must obtain and maintain certain types and amounts of insurance. (See Item 8). Insurance costs depend on policy limits, type of policies, nature and value of physical assets, gross revenue, number of employees, square footage, location, business contents, and other factors bearing on risk exposure. The estimate contemplates insurance costs for 3 months. The amounts required may be less than the lower figure for a scaled down interior Mall or High Density location.

7. The lower figure contemplates one menu board and one store front signage. The higher figure is

for one menu board and two store sign. You must use an approved sign company. If you do not use an approved sign company you must pay us a supervision fee of $1,000 before engaging your sign vendor to compensate us for having to work with your sign vendor to verify specifications are followed. The amounts required may be less than the lower figure for a scaled down interior Mall or High Density location.

8. This money covers your Grand Opening promotion and first 3 months of marketing. You must spend this amount on your Store, including newspaper, direct mail advertising, and promotional items and food, such as menu brochures and promotional flyers. The Grand Opening plan must be prepared within 30 days of signing your site lease and the Plan we must approve your Plan. If you do not put together a plan, we will put together one for you using our approved vendor and charge your account for the $15,000 minimum amount.

9. This includes POS system, printer, DVR (includes PC), and other office equipment.

10. This category includes an estimate of security deposits, utility deposits, telephone services, food service licenses and other prepaid fees that you will be required to pay.

11. We require you to use our designated vendor for Real Estate Analytics Services and research in assisting you with your location search. Neither we nor our designated vendor make any guarantee whatsoever with regard to the location ultimately selected by you, even if recommended by us or our vendor. We, nor any affiliate, receive any revenue from your purchase of this service.

12. This item estimates your initial start-up expenses (other than the items identified separately in the table). This is not a break-even period and you should not rely on being able to make a profit during this time. Your break-even period may be substantially longer. These expenses include payroll costs but not any draw or salary for you or any living expenses. These expenses include payroll costs but not any draw or salary for you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs depend on how much you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition, and the sales level reached during the initial period the particular location and lease terms, and many other factors. You are advised to see professional assistance in determining your own expenses and budget. You are further advised to have access to more than the estimated additional funds, as delays in construction, or employee training or other factors may utilize your additional funds prior to your business achieving a profit. We do not provide direct or indirect financing to our franchisees.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

a. Specifications and Operations

The goal of uniform operations is part of the Churned Creamery System. To achieve this, our Operations Manual contains mandatory specifications pertaining to all aspects of Store operations.

We have specifications for all food and beverage products sold at Churned Creamery Stores, cooking equipment, food preparation methods, recipes and ingredients. We state all specifications, and we will identify designated suppliers in the Operations Manual, where applicable. We may revise the specifications and designated suppliers through written bulletins or supplements to the Operations Manual at any time.

After you sign the Franchise Agreement, we will furnish you a list of designated and recommended suppliers. Except for items we identify by designated supplier, you may purchase all goods, services, equipment, supplies, fixtures, furnishings and inventory that we require you to have to operate your Churned Creamery Store from any supplier we recommend or from any alternative supplier whom you propose and which we approve in writing following the procedures we specify below, as long as you purchase the exact specified products from the alternative approved supplier.

b. **Obligations to Purchase Items and Services from Designated Suppliers**

You must operate the Store according to our System Standards, which regulates, among other things, the types, models and brands of fixtures, furniture, equipment (including a required or recommended computer, facsimile machine, and point of sale information system), furnishings and signs (collectively, "System Assets"), Proprietary Products, Branded Products, and other food products, and supplies required for the Store.

In the case of Proprietary Products and Branded Products, which include items and materials that utilize our proprietary recipes and other intellectual property belonging to us or our Affiliates and that are packaged under the Marks, suppliers will be limited to us, our affiliates and/or other specified exclusive sources designated by us (collectively "Designated Suppliers"), and you must buy those products and services only from the Designated Suppliers. We restrict your sources of Proprietary Products and Branded Products and related services in order to protect our trade secrets and know-how, assure a reliable supply of products that meet our standards, achieve better terms of purchase and delivery service, control usage of the Marks by third parties, and monitor the manufacture, packaging, processing, and sale of these items. In the case of System Assets items other than Proprietary Products and Branded Products, suppliers could, at our option, be limited to Designated Suppliers or from our list of specified exclusive suppliers, in which you would have to buy such other items only from those sources. We have the absolute right to limit the suppliers with whom you may deal. We will identify all Designated Suppliers and respective products and services in the Operations Manual or other written communications. In addition to the Proprietary Products and Branded Products, you currently must buy all of your Store's equipment requirements from our Designated Suppliers to maintain the quality of the goods, products and services that Churned Creamery Stores sell to the customers.

c. **Procedure for Approving Alternate Suppliers**

If we institute any type of restrictive sourcing program (which, as noted above, we will do for Proprietary Products, Branded Products, and the Store's equipment and may do for other items), and you want to use any item or service that we have not yet evaluated or to buy or lease from a supplier that we have not yet approved or designated, you first must send us sufficient information, specifications, and samples so that we can determine whether the item or service complies with System Standards or the supplier meets approved supplier criteria. We may charge you or the supplier a reasonable fee for the evaluation and will notify you of decision to approve or deny the proposed supplier within 30 days after we receive all requested information and complete the required testing. We periodically will establish procedures for your requests and may limit the number of approved items, services, and/or suppliers as we think appropriate.

Supplier approval will depend on product quality, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service, and/or a supplier's willingness to pay us and/or our system for the right to do business with our system. Supplier approval may be temporary until we evaluate the supplier in more detail. We may inspect a proposed supplier's facilities during and after the approval process to make sure that the supplier meets our standards. If it does not, we may revoke our approval by notifying the supplier and you in writing. We have no obligation to approve any request for a new supplier, product or service.

d. **Payments and Other Consideration from Approved or Designated Supplies**

We and any other affiliate have the right to receive payments or other considerations from our approved suppliers on account of their dealings with you and other franchise owners and to use all amounts that we and our affiliates receive without restrictions (unless we and our affiliates agree otherwise with the supplier) for any purposes we and our affiliates deem appropriate.

Our affiliate LogicLink, Inc. serves as an approved supplier for the POS System sold to our franchisees. In 2018~~7~~ our affiliate received $~~1000~~ 0 total revenue from the sale of such required POS purchases by Churned Creamery franchisees. Our affiliate, Innovative Food Systems, Inc. serves as the only approved supplier of the "ice cream churning equipment". In 2018~~7~~, our affiliate received $~~32,000~~0 total revenue from the sale of such required ice creaming churning equipment purchases by Churned Creamery franchisees. Our President has an interest in the affiliates, which serve as suppliers of the POS system and the ice cream churning equipment required in your store.

We may also receive revenue from certain third party suppliers we designate or from those we approve as optional suppliers on account of the suppliers transactions with our franchisees or affiliates that own Churned Creamery Stores. We also may receive revenue on account of our direct sales transactions with franchisees.

We may receive rebates from suppliers from whom we, or you make purchases for our or your operation of Churned Creamery Stores. We retain these benefits. Likewise, if you receive a rebate directly from a designated, recommended or approved supplier, you may retain it.

In the future, we may receive a promotional allowance, rebate, incentive payment or material non-cash benefits from approved or Designated Suppliers on account of transactions with Churned Creamery franchisees. If a supplier pays consideration on condition that we apply it for a specific purpose, like advertising, then the sums we receive will go into the Marketing Fund (see Item 11).

Rebates and other cash consideration that are earmarked for advertising purposes or as a promotional allowance that suppliers pay us or our affiliates for our operation of Churned Creamery Stores will also go into the Marketing Fund. If funds a supplier pays us or our affiliates are not earmarked for advertising purposes, then we may use the funds for any purpose.

We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

e. **Insurance**

Before opening your Churned Creamery Store you must purchase and throughout the term maintain insurance policies meeting our specifications, which we provide to you after you sign the Franchise Agreement. At this time, we require at a minimum (i) comprehensive general liability insurance with a limit of Two Million Dollars ($2,000,000) combined single limit (including broad form contractual liability); (ii) workers compensation insurance as required by law; (iii) general casualty insurance for the full replacement value of the Churned Creamery Store and its contents; (iv) Builder's All Risk insurance during construction and renovation work; and (v) any additional insurance required by law. We may modify our minimum insurance requirements, establish and change deductible limits, and require you to carry additional forms of insurance on reasonable written notice. Premiums depend on the insurance carrier's charges, terms of payment and your history. All insurance policies must name us as additional insured party.

f. **Additional Disclosures re: Purchasing Arrangements.**

No other purchasing arrangements exist at this time. We will notify you of changes we make to our purchasing programs and any new purchasing arrangements that we offer franchisees by written bulletins or supplements to the Operations Manual.

g. **Construction Contractor and Sign Company**

You must use an approved construction contractor for your location tenant improvements, or pay us a $20,000 supervision fee so we can oversee the project. You must use an approved sign company vendor for your sign or pay us a $1000 supervision fee. You will contract directly with these vendors. We do not assume liability for the contractor or sign company.

ITEM 9

FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

Obligation	Article/Section in Franchise Agreement (FA) and Area Development Agreement (ADA)	Item(s) in Disclosure Document
a. Site selection and acquisition/lease	FA Sections II and VII ADA Section III	6, 7, 11
b. Pre-opening purchases/ leases	FA Sections II, VII, VIII and IX	7, 8, 11
c. Site development and other pre-opening requirements	FA Sections II, VII, VIII and IX	7, 8, 11
d. Initial and ongoing training	FA Sections II, IV, VI and XX	7, 11
e. Opening	FA Sections II, VI and VII	11
f. Fees	FA Sections V, VIII, IX, XI and XX ADA Sections II and III	5, 6, 7, 11
g. Compliance with standards and policies/Operating Manual	FA Sections IV, VIII, XI and XV	8, 11, 16
h. Trademarks and proprietary information	FA Sections III, VIII and XI ADA Section VII	13, 14
i. Restrictions on products/ services offered	FA Sections VII ADA Section VII	8, 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	ADA Section III	None
l. Ongoing product/service purchases	FA Section VIII	8, 16
m. Maintenance, appearance and remodeling requirements	FA Sections VIII and XV	11

Obligation	Article/Section in Franchise Agreement (FA) and Area Development Agreement (ADA)	Item(s) in Disclosure Document
n. Insurance	FA Section XII	7
o. Advertising	FA Section IX	6, 7, 11
p. Indemnification	FA Section XIII ADA Section XIV	6
q. Owner's participation/ management/staffing	FA Sections VIII and XIX ADA Section VII	15
r. Records/reports	FA Section X	6
s. Inspection/audits	FA Sections VII and X ADA Section XII	6, 11
t. Transfer	FA Section XX ADA Section XI	6, 17
u. Renewal	FA Section IX ADA Section V	6, 17
v. Post-termination obligations	FA Section XVIII ADA Section X	17
w. Non-competition covenants	FA Section XIV ADA XII	17
x. Dispute resolution	FA Section XXX ADA Section XIX	17

ITEM 10

FINANCING

We do not provide, directly or indirectly, any financing to you. We are unable to estimate whether you will be able to obtain financing for any or all of your investment and, if so, the terms of financing. We do not guarantee your notes, leases or other obligations.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Listed below are our obligations under the Franchise Agreement and Area Development Agreement. Except as disclosed, we need not provide you with any assistance.

i. **Pre-Opening**

Area Development Agreement ("ADA")

1. We will grant to you exclusive rights to a Development Area within which you will assume the responsibility to establish and operate an agreed-upon number of Churned Creamery Stores

within the Development Area under separate Franchise Agreements. (ADA, Section I)

2. We will review site or sites you select for conformity to our standards and criteria for potential sites and, if the site meets our criteria, approve the site for a Churned Creamery Store. (ADA Section 8.1)

3. We will provide you with standard specifications and layouts for building and furnishing the Churned Creamery Store. .(ADA Section 8.2)

4. We will review your site plan and final build-out plans and specifications for conformity to our standards and specifications. (ADA Section 8.3)

5. We will evaluate the potential Churned Creamery site based on demographics, traffic patterns, photos, internet mapping, and may, at our discretion, visit the site as part of the site approval. (ADA Section 8.4)

6. We will provide such other resources and assistance as may be developed and offered to our area developers. .(ADA Section 8.5)

Franchise Agreement

1. We will give you our site selection criteria for the Store. The site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses, the nature of other businesses in proximity to the site and other commercial characteristics, and the size, appearance and other physical characteristics of the proposed site. We will accept or deny a location you propose for the Store within 30 days after we receive the complete site report and other materials we request. We do not guarantee the success of any site or any lease. . (Franchise Agreement , Section 7)

2. Our representative will assist you with the purchase of equipment, signs, fixtures and opening inventory and supplies, but we will not install these items. We will assist you in setting up accounts with approved suppliers who are familiar with, or will be familiar with our specifications and will provide you a copy of such specifications. (Franchise Agreement 7.1)

3. We will give you mandatory and suggested specifications and layouts for your Store, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings and color scheme. (Franchise Agreement Section 7.1)

4. We will train you and your manager. This training is described in detail later in Section viii of this Item. (Franchise Agreement Section 6.1)

5. We will loan you a copy of (or provide you electronic access to) our Confidential Operations Manual, containing the uniformed standards, specifications and other requirements for operation of your Store. The Confidential Operations Manual is a “living document” and will be revised from time to time. You are required to abide by all the Operations Manual policies and procedures.. (Franchise Agreement, Section 11.1)

6. We will be available to provide assistance and guidance to help with the opening, as we deem necessary (Franchise Agreement, Section 2.9).

ii. **After Opening**

1. We will provide guidance and advice to you regarding operating issues concerning the Store disclosed by reports you submit or inspections we make. (Franchise Agreement, Section 7.6)

2. We will give you guidance on standards, specifications and operating procedures and methods used by other Churned Creamery Stores in the System; new recipe items, menu variations, food preparation and display methods; purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies; advertising and marketing programs; employee training; and administrative, bookkeeping and accounting procedures. This guidance will, at our discretion, be furnished in our Operations Manual, bulletins or other written materials and/or during telephone consultations at our office or the Store. (Franchise Agreement Section 7.3)

3. We will review and approve or disapprove of proposed advertising materials prepared by you for use in local advertising including a grand opening advertising program (Franchise Agreement, Section 7.4)

4. We will inspect and observe the operations of the Store from time to time to determine whether you and the Store are complying with the Franchise Agreement and all Churned Creamery System standards. The details of inspections will be furnished in our Operations Manual. (Franchise Agreement Sections 7.5, 7.6)

5. Administer the advertising fund in the manner described in the Franchise Agreement. .(Franchise Agreement Section 9.2)

6. We will provide ongoing initial training program, and we will also offer advanced and refresher training for managers, at your expense. (Franchise Agreement Section 6.1)

7. We will update periodically the Operations Manual, as needed, to incorporate new developments and changes in the Churned Creamery System, and will provide you a copy of all updates, which may be a digital copy on our Franchise Operating System. You are required to abide by all Operations Manual updates and changes. (Franchise Agreement Section 7.7)

8. In our discretion, at any time, without prior notice, we may delegate performance of our duties to our affiliate operating in your market. These duties may include conducting inspections and providing consultation and advice.

iii. **Advertising and Marketing**

You are required to spend at least 1% of Gross sales in your local area on an ongoing basis. You must provide us with proof of expenditures upon our request.(Franchise Agreement, Section 9.4)

Within 30 days after signing your location lease, you are required to have a Grand Opening Plan, which we approve, which will cost between $15,000 and $20,000 to include Public Relations, Media Outreach, Social Media, Events Set-up, mailers/Ads, and on site presence and promotions. You must use an approved vendor. If you do not put together a plan, we will put together one for you using our approved vendor and charge your account for the $15,000 minimum amount. (Franchise Agreement Section 8.1)

You are required to participate in all gift card promotions and programs. (Franchise Agreement , Section 9.4)

We will establish an Advertising Fund (the "Fund") for such advertising, marketing and public relations programs as we, in our sole discretion, may deem necessary or appropriate to promote Churned Creamery Stores. Once established, we will administer the Fund as follows:

1. We will direct all advertising and public relations programs financed by the Fund, with sole discretion of approval over agencies, spokespersons, creative concepts, materials, and media placements and allocations used in the programs. The Fund will pay for the establishment and maintenance of the Churned Creamery on-line presence. The Fund may be used to pay the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and conducting television, radio, magazine, newspaper, direct mail and coupon advertising campaigns and other public relations activities; employing advertising agencies; providing a telephone number for prospective customers to call for referral purposes; and providing promotional brochures and other marketing materials to franchisees in the System). A 15% management fee of the Fund is be used to cover administrative costs and overhead we may incur including salary costs of employees working for the Fund. You must participate in all advertising and public relations programs instituted by the Fund including coupon promotions, online promotions, and gift card programs and similar programs. All Churned Creamery Stores owned by us or our affiliates will contribute to the Fund on the same basis as you. See Item 6 for the amount you are required to contribute to the Fund.

2. The Fund will be accounted for separately from our other funds. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Store to the Fund in that year, and the Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Fund or cause the Fund to invest any surplus for future use by the Fund.

3. You authorize us to collect for remission to the Fund any advertising or promotional monies or credits offered by any supplier based upon your purchases. Any advertising or promotional monies or credits we collect from any supplier based upon your purchases will not be credited toward your required contribution to the Fund.

4. A statement of monies collected and costs incurred by the Fund will be prepared annually by us and will be furnished to you upon written request. We will have the right to cause the Fund to be incorporated or operated through an entity separate from us at such time as we deem appropriate, and such successor entity will have all our rights and duties. During the fiscal year 2018~~7~~, the Fund was spent as follows: ~~55.8~~45.09% on marketing partners; ~~39.7~~14.07% on social media; ~~2.6~~23.45% on print and production; ~~2~~17.39% on administration and processing.

5. The Fund is intended to maximize recognition of the Proprietary Marks and patronage of Churned Creamery Stores generally. Although we will endeavor to utilize the Fund to develop advertising and marketing materials and programs, and to place advertising, in order to benefit all Churned Creamery Stores, we undertake no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by the Stores operating in that geographic area or that any Store will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. Your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Fund. We have no fiduciary obligation to you or any other Churned Creamery Store in

connection with the establishment of the Fund or the collection, control or administration of monies paid into the Fund. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Fund.

6. The Fund may place advertising in any media, including print, radio and television. Advertising may be developed in-house and/or by regional and national advertising agencies. Typical agency and media commissions will be compensated by the Fund. At this time, no money is spent by the Fund to solicit new franchisees, but we reserve the right to allocate up to 10% of the Fund expenditures on new franchise sales.

iv. **Advertising Cooperatives/National Advertising Council**

1. We may establish advertising cooperatives comprised of groups of franchisees within regions or areas we designate, and may modify boundaries of these groups in our discretion, effective on written notice. You must participate in any advertising cooperative which encompasses your territory. The members of each cooperative will adopt governing rules and voting procedures and determine procedures for assessing members; however, we may approve these rules and procedures and any amendments. If any of our affiliates owns a Churned Creamery Store within the boundaries of a cooperative, it will contribute to the cooperative at the lowest percentage contribution rate that any Churned Creamery franchisee in the same cooperative then pays and will have the same voting rights as franchisee members.

2. Each cooperative's members and elected officers are responsible for the cooperative's administration. The cooperative must obtain our written approval of the copy and proposed media or method of distribution for advertising and promotion it creates, following the same procedures you must follow for materials you create, as described above. The cooperative must assign to us any copyright, trademark or service mark rights in any materials it creates, without compensation, and permit us and other Churned Creamery franchisees which it authorizes to use these materials without compensation.

3. We may require a cooperative to merge with another cooperative servicing an adjacent or proximate area, or to subdivide a cooperative into smaller groupings. We may dissolve a cooperative when we simultaneously dissolve all advertising cooperatives. For example, we may determine it is preferable to centralize all group advertising activities under the Marketing Fund. Advertising cooperatives must prepare quarterly and annual financial statements, which need not be audited, and make them available to all cooperative members and us. We have no present plan to sell goods or services to any advertising cooperative.

4. At this time, there is no advertising council of franchisees that advises us regarding advertising and promotional programs or policies for Churned Creamery Stores generally. We do not currently require franchisees to participate in a local or regional advertising cooperative. No local or regional advertising cooperative exists in our system at this time.

v. **Operating Manual**

Attached as Exhibit E is a copy of the table of contents of our current Operating Manual, which indicates the number of pages devoted to each topic and subtopics in the Operating Manual.

vi. **Information System/Cash Register/Computer System**

1. You must purchase, use, maintain and update your software, computer and other POS systems that meet our specifications and requirements. There are no contractual limitations on the

frequency and cost of upgrades and updates to the systems or programs. You must comply with our then-current terms of use policies and any other requirements regarding any inter/intranet sites we establish for Churned Creamery Stores. We have presently approved Logic Link, Inc. as the supplier for this system, and they are located at 4701 Teller Ave., Newport Beach CA 92660, and they can be contacted at (949) 753-1190. We reserve the right to replace the above supplier and appoint a new supplier or suppliers as we deem necessary at our discretion.

2. The cost of purchasing the required system (including POS and back office systems), is estimated to range between $5,000- $10,000. The estimated annual cost of optional or required maintenance, updating, upgrading or support contracts is approximately $1,200 to $3,000.

3. You must obtain and maintain at your own expense accounting, sales, reporting and records retention systems conforming to the requirements set by us. We reserve the right to use, and to have full access to, all your cash registers, computers and any other systems, and the information and data they contain. We may charge a reasonable fee for the license, modification, maintenance or support of software or any other goods and/or services that we furnish to you in connection with any of the systems.

4. We may introduce to the System additional computer software and hardware, which you must purchase, use, maintain and update at your expense, as specifications and requirements may be modified over time. In some cases, these components may only be available through us or approved vendors. You will be responsible for paying all supplier and/or licensor (which may include us) charges for use, maintenance, support and/or updates to any future required systems. We do not have a contractual obligation under the Franchise Agreement to provide any maintenance, repairs, upgrades, or updates on any software or hardware. There are no contractual limitations on the frequency and cost of upgrades and/or updates to the systems or programs.

5. You will use the computer for basic accounting practices, receiving and responding to emails, submitting monthly reports. We will have access to all data captured by these computers. There is no contractual limitation on our use of the data, although any use by us shall be for reasonable business purposes.

6. We do not warrant or have any responsibility for the software or hardware you must obtain. Any warranty you may have on equipment or software will be limited to that provided by the applicable manufacturer or licensor.

vii. **<u>Site Selection, Opening and Time to Open</u>**

1. You will pay our designated vendor for Real Estate Analytics services and research to assist you with your search, identification and selection of the site for the Churned Creamery Store. Our site acceptance is based on residential population, traffic counts and patterns, competing establishments, median income levels, availability of parking, rental and lease terms, physical configuration of the site and growth trends in the area. We must approve any site selected, but our consent will not be unreasonably withheld. If you cannot find a suitable site within twelve months from signing the Franchise Agreement, we can terminate the Franchise Agreement and you will not be entitled to receive any refund of the Initial Franchise Fee. You may request an extension which will be granted in our sole discretion based on proof of due diligence efforts on your part. See Exhibit C to the Franchise Agreement (Conditional Lease Addendum) for required lease terms. Also see Exhibit D to Franchise Agreement (Site Location Addendum). Our approval of any site does not constitute any guarantee for any level of sales or success for that location.

2. We estimate that there will be an interval of five to sixteen months between the execution of the Franchise Agreement and the opening of the Churned Creamery Store, but the interval may vary based upon such factors as finding an approved location, negotiating and securing a lease, the condition of the site, the construction schedule for the Store, the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment and supplies, delays in securing financing arrangements and completing training and your compliance with local laws and regulations. You may not open the Store for business until: (1) we approve the Store as developed according to our specifications and standards; (2) pre-opening training has been completed to our satisfaction; (3) the Initial Franchise Fee and all other amounts then due to us have been paid; and (4) we have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we request. You must open the Churned Creamery Store for business after we notify you that the Store is ready to open unless there are circumstances beyond your control. We must approve any delay in opening of the Store with approval to be reasonable in nature.

viii. **Training**

1. Our new franchisee training program consists of approximately 4-6 hours of an initial franchisee orientation meeting at our corporate office, five (5) days of instruction by our current management team concerning all aspects of the operation and management of the Franchised Business. The training includes review and discussion of the Confidential Operations Manual and all aspects of the operation of your business. The training should be scheduled near the time of the completion of the construction of your Churned Creamery Store and after hiring your key employees.

2. The 5 day training will take place at our business located in Tustin, California, or at another location or locations as we may designate, and will be conducted by our certified instructors, whose experience is listed in Item 2. We may require that you and/or your designated manager(s) attend such further training programs as we may be a fee for refresher courses, but not exceeding $300.00 per day. The fee will be primarily to compensate the personnel who teach the courses and to defray the expenses of such courses. A person who has successfully completed our new franchisee training program must at all times actively supervise the operation of your Churned Creamery Store.

3. For all required initial training courses, you will be responsible for all other expenses which you or your employees incur for the purpose of this training, including the cost of transportation, lodging, meals and wages. There is no additional fee for the initial training for 2 people, however, if a trainee misses a training session you will pay a $1000, re-scheduling and re-training fee for the missed session. If the trainee fails to pass the initial training, that person must be immediately re-trained and you will pay a $5,000 re-scheduling and retraining fee for our inconvenience and use of additional resources at unscheduled times. If you need to replace your Designated Manager, the replacement Designated Manager must attend and complete the supplemental training program to our satisfaction as soon as is practicable at the next scheduled training session.. For this training, we charge a Supplemental Training Fee to train replacement Designated Managers, which is currently $300.00 per day.

4. You are responsible for the recruitment and hiring of *all* of your employees. You are also responsible for the training of all Store employees. For your Store, one of our representatives will advise and assist you in opening the Store by coordinating your pre-opening activities and being available to assist with your operations for ten (10) days at your Store location for the opening of your Store.

5. During the training we will be available to consult with you and/or your Designated Manager by telephone, Monday through Friday 9:00 a.m. to 5:00 p.m., with respect to all aspects of starting and operating your Churned Creamery Store.

6. Listed below is a chart showing our tentative training schedule, the principal instructors, the instructional material you will use, and the location of the training:

TRAINING PROGRAM

Subject	Hours of Classroom Training (Note 1)	Hours of On-The-Job Training	Location
Orientation	0	1	Corporate Store or franchise location
Concept, History, Business Model	0	1	Corporate Store or franchise location
Human Resources Management	0	1	Corporate Store or franchise location
Customer Service and Sales Techniques	0	3	Corporate Store or franchise location
Food Preparation	0	10	Corporate Store or franchise location
Menu/Plate Presentation	0	3	Corporate Store or franchise location
Product Ordering - Specifications and Inventory Control	0	6	Corporate Store or franchise location
Equipment Usage and Maintenance	0	8	Corporate Store or franchise location
Marketing and Advertising	0	3	Corporate Store or franchise location
Quality Standards and Store Sanitation	0	4	Corporate Store or franchise location
Total	0	40	

Note 1 All aspects of training are integrated. There are no definitive starting and stopping times. The training program will be supervised by our experienced corporate trainer listed in Item 2. We can require that you and/or your Manager attend additional and/or refresher training programs, including national and regional conferences, conventions and meetings, as we may reasonably require, to correct, improve and enhance your operations, the System, and its members at our corporate headquarters, with durations not longer than 3 days and will be given as deemed needed depending on the number of new franchisees in any given time. You will be responsible for all travel, living, incidental and other expenses for you and your personnel attending optional or mandatory training programs, seminars or meetings. We may charge a reasonable fee for any training program,

conference, convention or other events.

ITEM 12

TERRITORY

a. Under the Franchise Agreement we grant you the right to operate a Store at a specific location. The site of the Store will be inserted in the Franchise Agreement after the signing of the Franchise Agreement and confirmation of the lease. Relocation of your Store requires our prior written approval.

b. We grant certain territorial rights to a specific territory in which we agree, subject to exceptions and reservations noted in this Item 12, not to operate or permit others to operate a Churned Creamery Store. Other than the rights described, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. The continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, provided that you are in compliance with the terms of the Franchise Agreement.

c. Description of Your Territory

We will present you the proposed boundaries of your territory after we approve your franchise location. Unless you are inside a High Density as defined below location, your minimum territory will be an area having a radius of at least one mile from your Churned Creamery Store. In determining the proposed boundaries, we will consider such factors as the population size, ethnic make-up, persons per household, income level, residential/commercial mix, and population age; traffic patterns, parking, and access issues; neighboring business mix; rent and leasing terms; and size, appearance and other physical characteristics of the premises; and presence of any other nearby Churned Creamery Stores. The specific description of your territory along with the corresponding map showing the clear boundaries of your territory, will then be placed in writing and incorporated into your franchise agreement. We will use the same criteria in approving a relocation as we do in approving the original location.

A High Density location is a location inside a Mall, high density office or living location, amusement park, airport, hospital, military base, down town city area, school campus, airport or similar high density location. If you are an inside High Density location you will not receive a territory.

d. Exceptions and Reservations

The territorial rights we grant you for your Churned Creamery Store are subject to these exceptions and reservations. We, and our affiliates, retain all rights with respect to the Churned Creamery Stores, the Churned Creamery Marks, and any goods and services anywhere, including:

i. Menu items and ingredients under the Churned Creamery Marks or other names to independent restaurants, convenience stores, grocery stores, specialty food stores, and department stores which sell foods, beverages or ingredients in your territory. This means, for example, we may prepare and sell on the third-party's premises freshly-prepared, ready-to-serve or ready-to-eat food items under the Churned Creamery name or other names; we may also sell from these locations specialized food items or products bottled or packaged under the Churned Creamery label or other labels.

ii. Menu items sold at Churned Creamery Stores, or operate (or permit others to operate) Churned Creamery Stores under other names which predominantly serve similar menu items at, or in, any airport, rail or bus terminal, stadium, amusement or theme park, public park, theater, entertainment center, shopping mall, military base, hospital or health care facility, educational facility, high density office location, special event temporary locations or other mass gathering place even if located, entirely or partially, in your territory.

iii. Menu items under the Churned Creamery Marks or under other names from mobile units or carts, kiosks, vending machines, or other mobile or stationery devices which occupy less than 300 square feet and are in your territory.

iv. Advertise and promote the sale of, and sell, menu items sold at Churned Creamery Stores through the Internet or by using any other public computer network, electronic communication method or by mail order, catalog sales or comparable methods that solicit orders and business from customers without requiring the customer's physical presence in a Churned Creamery Store to complete the transaction.

v. We may engage or let others engage in the above activities in your territory without paying you any compensation or any other consideration. We will use reasonable efforts to try and resolve conflicts between franchisees regarding territorial rights. At this time we have no formal grievance procedure.

vi. We reserve all other distribution rights that we do not expressly grant to you. By distribution rights, we mean all forms and channels of distribution, regardless of whether we use the method now or adopt it in the future. Channels of distribution include the Internet, catalog sales, telemarketing or other direct marketing sales. Technology may yield new channels of distribution. The kinds of reserved activities which we or our affiliates may engage in within your territory or development territory might include, directly or through one of our affiliates, selling products and services of any kind, including, without limitation, freshly-prepared, ready-to-serve or ready-to-eat food items under the Churned Creamery Marks or other names, through retail and wholesale channels of distribution, including by means of the Internet and mail order catalogs, in addition to sales through independent Stores, convenience stores, grocery stores, specialty food stores and department stores.

vii. Except as provided herein, we do not restrict your advertising and publicity you conduct for your franchised business except you must use our trademarks only in approved manners. Likewise, we and other franchisees may conduct advertising and publicity of ours and their Churned Creamery Store in your territory. You and any Churned Creamery franchisees are not permitted to maintain a separate Website and to advertise and promote their Churned Creamery Restaurant on the Internet or using any other public computer network.

e. Additional Disclosures re Territory:

i. The Franchise Agreement lets you engage only in retail transactions of authorized goods and services to customers for their own use and for their own consumption at your Churned Creamery Store. You may not engage in wholesale sales without our prior written consent. "Wholesale sales" includes the sale or distribution of merchandise or products to a third party for resale, retail sale or other method of distribution. You may not engage in transactions with customers that do not take place on the premises of your Churned Creamery Store. We reserve the right to wholesale our products to other retailers such as supermarket, online platforms, and other outlets at any given time directly from us or through approved vendors, our franchisees, other retailers and/or distributors.

ii. Unless we consent in writing, you will not have the right to acquire additional Churned Creamery franchises. Your franchise rights are not contingent on achieving any minimum sales level or other sales or market penetration contingency.

iii. There may be Churned Creamery stores opened in your territory in the future. We or our affiliates may purchase or become purchased by, or merge with or create a different company selling ice cream products or franchising ice cream stores, under a different name and marks in your territory.

f. Area Development Agreement

Under the Area Development Agreement, we grant you the right to develop and operate the number of Churned Creamery Stores in the Development Area that is specified in the Development Schedule, which is an exhibit to the Area Development Agreement. The Development Area is typically described in terms of municipal or county boundaries but may be defined as a specified trade area in a municipality or other specific area. The actual size of the Development Area will vary, but at a minimum, will generally be the area having a radius of approximately 10 miles for an area developer, depending on the population density of the county in which you wish to develop. This area can be changed and modified, depending upon the availability of contiguous markets, our long-range development plans, your financial and operational resources, population and market conditions. Our designation of a particular Development Area is not an assurance or warranty that there are a sufficient number of suitable sites for Churned Creamery Stores in the Development Area for you to meet your Development Schedule. The responsibility to locate and prepare a sufficient number of suitable sites is solely yours, and we have no obligation to approve sites which do not meet our criteria in order for you to meet the Development Schedule.

Except as described below, during the term of the Area Development Agreement, we and our affiliates will not operate or grant a franchise for the operation of Churned Creamery Stores to be located within the Development Area. However, we have the right to terminate this exclusivity if you are not in full compliance with all of the terms and conditions of the Area Development Agreement and all of the Franchise Agreements executed under it. Further, except as expressly limited by the Area Development Agreement, we and our affiliates also retain all rights with respect to Churned Creamery Stores and Churned Creamery Marks as provided in the Exceptions and Reservations and Additional Disclosures in Subsections D and E of this Item 12 and they apply equally to the area developer as they do to a franchisee.

ITEM 13

TRADEMARKS

The following trademark has been filed with the United States Patent and Trademark Office ("USPTO"):

TRADEMARK	**REGISTRATION NUMBER** ~~**(SERIAL NUMBER)**~~	**REGISTRATION DATE** ~~**(APPLICATION DATE)**~~
CHURNED CREAMERY	5,187,084	April 18, 2017

	5,177,152	April 4, 2017
CROCREAM	5,182,840	April 11, 2017

A. Churned Creamery, Inc., our affiliate company, is the owner of the above marks and presently has granted us the exclusive license to use and license the above trademark, and we in turn will grant you the non-exclusive right to use these marks as well as other trademarks, service marks, trade names and commercial symbols owned by us or that we may authorize in the future (collectively, the "Marks"). The Marks may only be used at the location we approve for your Churned Creamery Store for the sale of products and services we authorize under the Franchise Agreement. We are in the process of transferring ownership of the marks from our affiliate to us. No affidavits are yet due for our marks; we intend to file all required affidavits.

B. Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing. We may change the System presently identified by the Marks, including the adoption of new Marks, new products, new equipment or new techniques and you must adopt the changes in the System. You must comply within a reasonable time if we notify you to discontinue or modify your use of any Mark. We will have no liability or obligation as to your modification or discontinuance of any Mark.

C. There are currently no effective material determinations by the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the Marks. There are currently no agreements in effect that significantly limit our rights to use or license the use of any Marks in any manner material to the franchise. There are no superior prior rights or infringing uses actually known to us that could materially affect your use of the Marks. We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks or to participate in your defense or indemnify you. We reserve the right to control any litigation related to the Marks, and we have the sole right to decide to pursue or settle any infringement actions related to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks that you may become aware. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you must make the changes or substitutions at your own expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

A. There are no patents or copyrights currently registered that are material to the franchise.

B. Our Manual, other manuals, training material, merchandise and vendor lists and updates, action plans, and other directives contain material which we consider to be trade secrets. We claim trade secret and copyright protection for these manuals and materials although we have not filed any corresponding applications concerning them. You have to follow our direction in protecting the manuals and other trade secret material from unauthorized disclosure. You must use our proprietary materials only as we direct. We have an intranet website available only to franchisees, called the Franchise Operating System ("FOS"). Our FOS contains proprietary information and is owned by us. Your access is limited and conditional, and arises as a result of being a franchisee. You gain no ownership rights or any other interest in or title to the FOS, or any part of it, even those portions that contain the financial information about your Store. The FOS is proprietary trade secrets, and confidential, and all the content of which we claim copyright protection.

C. All of your managers and supervisors must sign a confidentiality agreement in which they promise to keep all of our proprietary information confidential and to follow our directions regarding its use.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

A. If you are an individual, you must devote full time and attention to supervising all administrative and operational activities of your franchised business at the franchise location.

B. If a legal entity owns the franchise rights, like a corporation, partnership or limited liability company, the person who owns a controlling interest in the entity's equity or voting rights, or a general partner, must devote full time and attention to franchise activities.

C. You must respond to our communications and requests for information within time frames we request.

D. You must staff your Churned Creamery Store with at least 1 "Approved Manager." An "Approved Manager" is a full-time employee with management responsibilities who has successfully completed the manager training segment of the initial training program and any mandatory supplemental management classes, including a state certified Food Safety course. You (or the person who owns a controlling interest in equity or voting interests of an entity, or the general partner of a partnership, which owns the franchise) may be an Approved Manager, provided you devote full time and attention to your franchise business. You must hire and train all your employees. You may also send your employees to our training programs.

E. In addition, an Area Developer must devote his or her full time to the supervision of Churned Creamery Stores operated in the Development Area unless Area Developer designates an individual to supervise the Churned Creamery Stores known as an "operator." Area Developer, if it is a corporation or a partnership, may not engage in any other related business activity during the term of the Area Development Agreement without our consent. We may require Area Developer to hire an experienced food service professional who will operate Area Developer's Churned Creamery Stores. Area Developer, or the operator designated by the Area Developer, must successfully complete our training course. Any operator designated by Area Developer must (i) devote his or her full time to the development and supervision of Churned Creamery Stores; (ii) sign the confidentiality and non-competition covenants by which Area Developer is bound; and (iii) be approved in writing by us. Also, Area Developer is bound by confidentiality requirements and non-competition covenants discussed in the Area Development Agreement.

F. If you are a legal entity, any and all shareholders owning at least 20% interest in the entity and their spouses must sign the guarantee agreement provided as an exhibit to the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

A. You must operate your Churned Creamery Store in accordance with the System Standards (including required products and services). You may only sell products and services we authorize. We have the right, without limitation, to change the types of products and services that you are authorized to sell at our sole discretion.

B. There are no restrictions on the customers to whom you can sell the products at your Churned Creamery Store. However, you may not use your Store for any purposes other than the operation of the Churned Creamery Store in full compliance with the Franchise Agreement and Manual, without our prior written approval. You must purchase, use and offer each of and only the types, brands and quality of products and services we designate. The Franchise Agreement allows you to operate one Churned Creamery Store at the franchise location only, and nowhere else, except with our prior written approval.

C. You must operate your Churned Creamery Store all days and during the minimum hours we prescribe in the Operations Manual, unless local conditions, like terms of your lease, require different days/hours or you obtain our prior written consent. Your operations must comply with all laws, including, but not limited to, laws on packaging, labeling, health and sanitation, environmental waste, and the like. You must investigate these laws and ensure compliance.

D. Any variation from our mandatory requirements requires our prior written approval. We grant approval only in exceptional cases in our discretion. Granting an exception to another franchisee does not require us to grant you that *or* any exception.

E. We may add to, modify or discontinue the approved list of menu items, ingredients, preparation processes, or other goods and services you must offer. We communicate changes by written bulletin or revisions to the Operations Manual. There is no limit on our right to impose these modifications. You will be given reasonable time (at least 30 days) after notice from us to implement changes and stop selling particular items which we delete from the approved list.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

FRANCHISE AGREEMENT

Provision	Article in Franchise Agreement	Summary
a. Term of the franchise	IV	10 years
b. Renewal or extension of term	IV	One additional term of 10 years
c. Requirements for you to renew or extend	IV	You have been in substantial compliance with agreement, pay renewal fee. You may have to remodel the Store, at your expense, and sign a Franchise Agreement in effect at the time of renewal, which may contain materially different terms and conditions than the agreement you signed originally.
d. Termination by you	None	The Franchise Agreement does not provide for this. But you may seek to terminate on any grounds available to you under applicable law.
e. Termination by us without cause	None	
f. Termination by us with cause	XVII	We can terminate only if you commit any one of several listed violations
g. "Cause" defined - defaults which can be cured	XVII	30 days for operations defaults, 30 days for monetary defaults, 24 hours for health code violations
h. "Cause" defined - defaults which cannot be cured	XVII	Conviction of a felony, abandonment, unapproved transfers, bankruptcy, assignment for benefit of creditors, 3 repeated violations in 12 months.

Provision		Article in Franchise Agreement	Summary
i.	Your obligations on termination/non-renewal	XVIII	Pay outstanding amounts, de-identification, return of confidential information and telephone numbers (see also below)
j.	Assignment of contract by us	XX	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith judgment is willing and able to assume our obligations under the Franchise Agreement
k.	"Transfer" by you - definition	XX	Includes transfer of contract of assets or any ownership change
l.	Our approval of transfer by you	XX	We have the right to approve all transfers, our consent not to be unreasonably withheld
m.	Conditions for our approval of transfer	XX	Transferee qualifies, all amounts due are paid in full, transferee completes training, transfer fee paid, then- current contract signed
n.	Our right of first refusal to acquire your business	XX	We can match any offer
o.	Our option to purchase your business	XX	We can buy the business on termination or non-renewal for the formula price described in Article XX
p.	Your death or disability	XX and XXI	Franchise must be assigned to approved buyer within 12 months or transferred to an heir or representative
q.	Non-competition covenants during the term of the franchise	XIV	Can't divert business or operate a competing business anywhere
r.	Non-competition covenants after the franchise is terminated or expires	XIV	No competing business for two years, within 25 miles of any other Churned Creamery Store

Provision	Article in Franchise Agreement	Summary
s. Modification of the agreement	XXXII	No modifications generally but Operations Manual subject to change. Revisions to the Operations Manual will not unreasonably affect your obligations, including economic requirements, under the Franchise Agreement
t. Integration/ merger clause	XXXII	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. Dispute resolution by arbitration or mediation	XXX	Except for certain claims, all disputes must be arbitrated in California (subject to state law)
v. Choice of forum	XXX	Arbitration in California (subject to state law)
w. Choice of law	XXIX	California law applies (subject to state law)

AREA DEVELOPMENT AGREEMENT

Provision	Section in Area Development Agreement	Summary
a. Term of the Area Development Agreement	VI	Length of the Development Schedule, which can be as short as five years or as long as 10 years
b. Renewal or extension of the term	V	After all Churned Creamery Stores have been developed, we will negotiate in good faith another Area Development Agreement
c. Requirements for you to renew or extend	V	There are none
d. Termination by you	None	The Agreement does not provide for this. But you may seek to terminate on any grounds available to you under applicable law
e. Termination by us without cause	None	

Provision	Section in Area Development Agreement	Summary
f. Termination by us with cause	IX	We can terminate if you commit any one of several listed violations, which include failure to meet the development schedule, unauthorized use of the Churned Creamery Marks, sale of competing products, failure to make required payments, illegal assignments, making of material misrepresentations, failure to obtain approval for a site, any other breach of the agreement or a bankruptcy
g. "Cause" defined - defaults which can be cured	IX	These are listed in this Section
h. "Cause" defined - defaults which cannot be cured	IX	These are also listed in this Section
i. Your obligations on termination/non- renewal	X	Stop selecting sites, can't open Churned Creamery Stores
j. Assignment of contract by us	XI	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Area Development Agreement
k. "Transfer" by you - definition	XI	Includes transfer of any interest in the Area Development Agreement
l. Our approval of transfer by you	XI	We have the right to approve all transfers, our consent not to be unreasonably withheld
m. Conditions for our approval of transfer	XI	Conditions for transfer include not being in default, all debts are paid, the buyer meets our current criteria for new area developers, execution of a general release (where legal), payment of transfer fee, buyer personally
n. Our right of first refusal to acquire your	XI	We have the right to match the offer
o. Our option to purchase your business	None	
p. Your death or disability	XI	Option passes to estate

Provision	Section in Area Development Agreement	Summary
q. Non-competition covenants during the term of the franchise	XII	Can't divert business or operate a competing business anywhere
r. Non-competition covenants after the franchise is terminated or expires	XII	No competing business for two years and within a 25 mile radius of any Churned Creamery Store
s. Modification of the agreement	XVIII	No modifications except by mutual agreement of the parties. Revisions to the Area Development Agreement will not unreasonably affect your obligations, including economic requirements under the Area Development Agreement
t. Integration/merger clause	XVIII	Any representations or promises outside of the disclosure document and franchise agreement many not be enforceable. 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. Dispute resolution by arbitration or mediation	XIX	Except for certain claims, all disputes must be arbitrated in California (subject to state law)
v. Choice of forum	XIX	Arbitration in California (subject to state law)
w. Choice of law	XVIII	California (subject to state law)

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about actual or potential financial performance of its franchised and/or franchiser-owned outlets, if there is a reasonable basis for the information, and 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, affiliate-owned or franchised Restaurants. We do not authorize our employees or representatives to make any such representations either orally or in writing. But if you are purchasing an existing Restaurant from us or an affiliate of ours, we may provide you the actual records of that Restaurant. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Ms. Amy Hsaio, President of Churned Creamery International, Inc. at 1295 South Lewis Street, Anaheim CA 92805 PH 949-753-1190.~~4701 Teller Ave., Newport Beach, CA 92660 PH 949-753-1190~~, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

STORES AND FRANCHISEE INFORMATION

Item 20 Table -1 System-wide Store Summary For years 2016~~5~~ to 2018~~7*~~

Store Type	Year	Stores at the Start of the Year	Stores at the End of the Year	Net Change
Franchised	2016~~5~~	0	1~~0~~	+1~~0~~
	2017~~6~~	1~~0~~	7~~1~~	+6~~1~~
	2018~~7~~	7~~1~~	7~~6~~	0~~+5~~
Company or Affiliate-Owned~~**~~	2016~~5~~	1~~0~~	1	0~~+1~~
	2017~~6~~	1	0~~1~~	-1~~0~~
	2018~~7~~	0~~1~~	0	0~~-1~~
Total Stores	2016~~5~~	1~~0~~	2~~0~~	+1~~0~~
	2017~~6~~	2~~0~~	7~~2~~	+5~~2~~
	2018~~7~~	7~~2~~	7~~6~~	0~~+4~~

~~*Three additional stores are under construction, as of the date of this document.~~

~~**We sold our company owned store to a franchisee in 2017.~~

Item 20 Table -2

Transfers of Stores from Franchisees to New Owners (other than the Franchisor)

For years 2016~~5~~ to 2018~~7~~

State	Year	Number of Transfers
California	2016~~5~~	0
	2017~~6~~	0
	2018~~7~~	0
Total	2016~~5~~	0
	2017~~6~~	0
	2018~~7~~	0

Item 20 Table -3

Status of Franchised Stores For years 2016~~5~~ to 2018~~7*~~

State	Year	Stores at Start of Year	Store Opened	Termination	Non-Renewal	Re-acquired by Franchisor	Ceased Operations Other Reasons	Stores at the end of the Year
CA	2016~~5~~	0	1~~0~~	0	0	0	0	1~~0~~
	2017~~6~~	1~~0~~	6~~1~~	0	0	0	0	7~~1~~
	2018~~7~~	7~~1~~	0~~5~~	0	0	0	0	7~~6~~
Total	2016~~5~~	0	1~~0~~	0	0	0	0	1~~0~~
	2017~~6~~	1~~0~~	6~~1~~	0	0	0	0	7~~1~~
	2018~~7~~	7~~1~~	0~~5~~	0	0	0	0	7~~6~~

~~*Three additional stores are under construction, as of the date of this document.~~

~~**We sold our company owned store to a franchisee in 2017.~~**

Item 20 Table -4
Status of Company or Affiliate Owned
Stores For years 2016~~5~~ to 2018~~7~~

State	Year	Stores at Start of Year	Stores Opened	Stores Reacquired from Franchisee	Stores Closed	Stores Sold to Franchisee	Stores at the end of the Year
CA	2016~~5~~	0~~1~~	1~~0~~	0	0	0	1
	2017~~6~~	1	0	0	0	1~~0~~	0~~1~~
	2018~~7~~	0~~1~~	0	0	0	0	0
Totals	2016~~5~~	0	1	0	0	0	1
	2017~~6~~	1	0	0	0	1~~0~~	0~~1~~
	2018~~7~~	0~~1~~	0	0	0	0~~1~~	0

Item 20 Table -5
Projected Openings As of December 31, 2018

State	Franchise Agreements Signed But Store Not Opened	Projected New Franchised Stores In The Next Fiscal Year	Projected New Company-Owned Stores In The Next Fiscal Year
California	0~~1~~	0~~1~~	0
Texas	0~~1~~	0~~1~~	0
Florida	1	1	0
Total	1~~3~~	1~~3~~	0

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

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

Attached to this Franchise Disclosure Document as Exhibit F is a list of names of all current franchisees and the address and telephone number of each of their outlets.

Attached to this Franchise Disclosure Document as Exhibit G provides a list of name, city and state, and the last known telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Churned Creamery franchise. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. During our last 3 fiscal years, we have not signed any confidentiality clauses with current or former franchisees, which restrict them from speaking openly with you about their experience with us.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit F is our audited financial statements as of December 31, 2015, December 31, 2016, and December 31, 2017. Our fiscal year end is December 31.

ITEM 22

CONTRACTS

All agreements proposed for use in this State are attached to this Franchise Disclosure Document as follows:

EXHIBIT C - Franchise Agreement
EXHIBIT D - Area Development Agreement

EXHIBITS to FRANCHISE AGREEMENT:
"A" Location and Territory
"B" Guarantee Agreement
"C" Conditional Lease Assignment Provisions
"D" Site Location Addendum
"E" Confidentiality and Non-Competition Agreement
"F" Transfer Of Franchise To A Corporation
"G" Telephone Number Assignment And Power Of Attorney
"H" Authorization To Honor Charges Drawn By And Payable To Churned Creamery International, Inc.
"I" Franchisee Compliance Certification

ITEM 23

RECEIPT

The last page of this Disclosure Document contains a detachable Receipt form, which you must date, sign, and return to us immediately upon your receipt of this Disclosure Document.

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Department of Business Oversight
Suite 750
320 West 4th Street
Los Angeles, CA 90013
(213) 738-2741
Toll Free No.: 1 866 275 2677

Agent: California Commissioner of Business Oversight

HAWAII

Securities Examiner
1010 Richards Street
Honolulu, Hawaii 96813
(808) 548-2021

Agent: Director of Hawaii Department of Commerce and Consumer Affairs

ILLINOIS

Franchise Division
Office of Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

Agent: Illinois Attorney General

MARYLAND

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

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

MICHIGAN

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Law Building
Lansing, Michigan 48913
(517) 373-7177

Agent: Michigan Department of Commerce Corporations and Securities Bureau

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-4026

Agent: Minnesota Commissioner of Commerce

INDIANA

Franchise Section
Indiana Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

Agent: Indiana Secretary of State
Indiana Securities Division
201 State House
Indianapolis, IN 46204

NEW YORK

Bureau of Investor Protection and Securities
New York State Department of Law
23rd Floor
120 Broadway
New York, New York 10271
(212) 416-8211

Agent: New York Secretary of State
99 Washington Ave
Albany, NY 12231

NORTH DAKOTA

Office of Securities Commissioner
Fifth Floor
600 East Boulevard
Bismarck, North Dakota 58505
(701) 328-2910

Agent: North Dakota Securities Commissioner

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

Agent: Director of Oregon Department of Insurance and Finance

NEBRASKA

Nebraska Department of
Banking and Finance
1200 N Street
P.O. Box 95006
Lincoln, Nebraska 68509-5006

SOUTH DAKOTA

Division of Securities
c/o 118 West Capitol
Pierre, South Dakota 57501
(605) 773-4013

Agent: Director of South Dakota Division Securities

TEXAS

Secretary of State
P.O. Box 12887
Austin, Texas 78711

VIRGINIA

State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

Agent: Clerk of the State Corporation Commission

RHODE ISLAND

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

Agent: Director of Rhode Island Department of Business Regulation

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
P.O. Box 1768
Madison, Wisconsin 53703
(608) 266-8559

Agent: Wisconsin Commissioner of Securities

WASHINGTON

Director
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507
(360) 902-8760

Agent: Securities Administrator, Director of Department of Financial Institutions

EXHIBIT B

STATE SPECIFIC ADDENDUM

California

Neither the franchisor nor any person identified in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

California Business and Professions Code §§ 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 that continues after the termination of the franchise. This provision may not be enforceable under California law.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in a Franchise Agreement that requires you to waive your rights under either or both of these laws is void. Any release of claims that the franchisor asks you to sign will specifically exclude claims under these franchise laws.

Section 31125 of the California Corporations Code requires the franchisor to give the franchisee a special disclosure document before soliciting a proposed material modification of an existing franchise.

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

The franchise agreement and development agreement requires binding arbitration. The arbitration will occur at Orange County, and the arbitrators have the discretion to assess the costs of arbitration, including reasonable arbitrators' and attorneys' fees in proportions as the arbitrators may determine. 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.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

In California, local county health departments inspect retail food facilities to ensure compliance with safe food handling practices and adequacy of kitchen facilities.

OUR WEBSITE ADDRESS IS HTTP://WWW.CHURNEDCREAMERY.COM. 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.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Illinois

Many states have status concerning the relationship between franchisor and franchisee. These statutes deal with such matters as renewal and termination of franchises. Provisions of this sort will prevail over inconsistent terms in a franchise agreement. Illinois has such a statute (915 ILCS 705/19 and 705/20).

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 includes a choice of law clause designating another state's law as the governing law. Under Illinois law, a Franchise Agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Item 17 w. is amended to state "none" under the heading for "Summary." The Franchise Agreement is amended to omit Section XXV.

The Franchise Agreement requires franchisee to sign a release of claims as a condition for transfer or renewal of the franchise. Under the law of Illinois, any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise disclosure law of Illinois is void. Accordingly, insofar as the Franchise Agreement requires franchisee to waive franchisee's rights under the Illinois franchise law, these requirements are deleted from the Franchise Agreement. This provision will not prevent the franchisor from requiring franchisee to sign a release of claims as part of a negotiated settlement of a dispute.

Maryland

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 says that franchisor may require franchisee to sign a release of claims, other than claims that may not be waived in advance under applicable law, as a condition of renewal or transfer of your franchise. Under Maryland law, the release will not apply to any liability under the Maryland Franchise Registration and Disclosure law.

Under the Franchise Agreement, franchisee must disclaim the occurrence and/or acknowledge the non-occurrence of acts that might constitute a violation of the Maryland franchise law. These representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the franchise is granted.

Michigan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A FRANCHISE SHALL NOT BE SOLD IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST TEN (10) BUSINESS DAYS BEFORE THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT OR AT LEAST TEN (10) BUSINESS DAYS BEFORE THE RECEIPT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE STATEMENT DESCRIBED IN THIS STATUTE.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Marilyn McEwen 670 Law Building
Lansing, Michigan 48913
(517) 373-7117

Minnesota

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Minnesota, with costs being borne by the non-prevailing party. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

The Franchise Agreement requires application of the laws of a state other than Minnesota. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C. 14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement.

The Franchise Agreement requires you to sign a release of claims as a condition of renewing or transferring a franchise. Minnesota Rule Part 2860.4400J prohibits franchisor from requiring franchisee to sign a release of claims arising under the Minnesota Franchise Law. Therefore, any release we require you to sign will exclude claims arising under the Minnesota Franchise Law.

The Franchise Agreement provides that franchisor is entitled to a temporary injunction or decree of specific performance. The Franchise Agreement is amended to provide that we are entitled to seek a temporary injunction or decree of specific performance if we can demonstrate to a court of competent jurisdiction that there is substantial likelihood of franchisee's breach or threatened breach of any of the terms of the Franchise Agreement, not that franchisor is necessarily entitled to obtain this relief.

Under Minnesota law, any claim arising under §80C may be brought within three years after the cause of action accrues. The Franchise Agreement is amended to provide for a three-year period within which to bring any Minnesota claims.

New York

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

> Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:
>
> A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "summary" section of Item 17(j), titled "**Assignment of Contract by franchisor**":

However, no assignment will be made to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "summary" section s of Item 17(v) titles "**Choice of Forum",** and Item 17(w), titled "**Choice of law**" :

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

North Dakota

In North Dakota, the Disclosure Document is amended as follows to conform to North Dakota law:

Item 17c is revised to omit any requirement that a general release be signed as a condition of renewal.

Item 17r is amended to add the following: "To the extent that covenants not to compete apply to periods after the term of the franchise, they are generally considered unenforceable in the State of North Dakota."

Item 17u is amended to omit any reference to the location or mediation or arbitration.

Item 17w is amended to state "None."

Rhode Island

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of Item 17v and Item 17w of the Disclosure Document, any litigation or arbitration arising under the Franchise Agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor.

To the extent required by § 19-28.1-14 of the Rhode Island Franchise Investment Act, the Franchise Agreement will be governed by the laws of the State of Rhode Island.

South Dakota

The Franchise Agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law. The Franchise Agreement provides for arbitration in a state other than South Dakota. Under South Dakota law, arbitration must be conducted at a mutually agreed upon site in accordance with §11 of the Commercial Arbitration Rules of the American Arbitration Association.

The Franchise Agreement designates the law of a state other than South Dakota as the governing law, except that trademark issues are to be under the Landham Act. Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota, but contractual and all other matters will be subject to application, construction, enforcement and interpretation under the governing law specified by the Franchise Agreement.

Under South Dakota law, any provision in a Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota.

Under South Dakota law, termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the Disclosure Document and Franchise Agreement must afford a franchisee thirty (30) days written notice with an opportunity to cur the default prior to termination. Under SDL 37-5A-86, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter, or any rule or order is avoid.

An acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate the South Dakota franchise law or a rule or order under the South Dakota franchise law.

Washington

The State of Washington has a statute, RCW 19.100.180, that 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 the franchise.

In Washington, provisions of the Franchise Agreement which unreasonably limit the statute of limitations or remedies under the Washington Franchise Investment Act, such as the right to jury trial, may not be enforceable.

The Franchise Agreement requires application of the laws of a state other than Washington. If there is a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chap. 19.100 RCW, will prevail.

The Franchise Agreement requires franchisee to sign a release of claims as a condition of renewing or transferring the franchise. A release or waiver of rights signed by a franchise owner may not include rights under the Washington Franchise Investment Protection Act.

Under Washington law, transfer fees may be collected only to the extent that they reflect the franchisor's reasonable estimated or actual costs in connection with the transfer.

EXHIBIT C

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

CHURNED CREAMERY

FRANCHISE AGREEMENT

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EXHIBITS:

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT, ("Agreement") is made and entered into the______day of ____________, 20 , between CHURNED CREAMERY INTERNATIONAL, INC., a California corporation whose principal address is 1295 South Lewis Street, Anaheim , California 92805 ("Franchisor"), and ____ residing at ____ _______________ ("Franchisee").

RECITALS:

A. Franchisor is engaged in the franchising of an ice cream store known as "Churned Creamery", featuring frozen dessert products produced by its exclusive state-of-the-art equipment and ingredients to provide a unique ice cream experience through customizable ice cream options handcrafted at the store ("Menu Items" or "Products") and provide carry-out and on-premises dining services. Franchisor's stores are operated under certain trademarks, service marks, logos and other commercial symbols, including without limitation "Churned Creamery" (collectively "Marks"), and pursuant to certain confidential information and trade secrets. Menu Items are prepared according to proprietary recipes and procedures and use high quality ingredients pursuant to formulae developed by Franchisor ("Trade Secret Food Products"). Churned Creamery Stores are operated with uniform formats, designs, systems, methods, specifications, standards and procedures, all of which may be improved, further developed or otherwise modified from time to time by Franchisor ("System").

B. Franchisor grants to persons who meet Franchisor's qualifications and who are willing to undertake the investment and effort to establish and develop a Churned Creamery Store, a franchise to own and operate such a store, offering the Products and services approved by Franchisor and utilizing Franchisor's formats, designs, methods, specifications, standards, operating procedures and the Marks.

C. Franchisee received a copy of Franchisor's Franchise Disclosure Document ("FDD"), which contains a copy of this Agreement, at least fourteen (14) calendar days before executing this Agreement.

D. Franchisee acknowledges that Franchisee has read this Agreement and the FDD and that Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all Churned Creamery Stores in order to protect and preserve the goodwill of the Marks.

E. Franchisee: (i) acknowledges that Franchisee has conducted an independent investigation of the business contemplated by this Agreement; (ii) recognizes that, like any other business, the nature of the business conducted by Churned Creamery Stores may evolve and change over time; (iii) acknowledges that an investment in a Churned Creamery Store involves business risks; and (iv) recognizes that the success of the venture is largely dependent upon the business abilities and efforts of Franchisee.

F. 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 this Agreement. Franchisee: (i) acknowledges that Franchisee has not received or relied on any representations about the franchise by Franchisor, or its officers, directors, employees or agents, that are contrary to the statements made in Franchisor's FDD or to the terms and conditions contained in this Agreement; and (ii) represents to Franchisor, as an inducement to Franchisor to enter into this Agreement, that Franchisee has made no misrepresentations in obtaining the franchise.

G. Franchisee has applied for a franchise to own and operate a single Churned Creamery Store at the premises identified (or to be identified) in Article I below, and the application has been approved by Franchisor in reliance on all of the representations made in the application.

In consideration of the above recitals and the mutual promises and covenants made in this Agreement, Franchisor and Franchisee agree as follows:

ARTICLE I
GRANT OF FRANCHISE AND TERRITORY

1.1 Subject to the terms and conditions contained in this Agreement, Franchisor grants to Franchisee the right to own and operate a Churned Creamery Store at, and only at, the premises approved by Franchisor in accordance with the provisions of this Agreement (the "Store"), and to use the Marks in the operation of the Store.

1.2 Unless an approved location has been selected by Franchisee at the time this Agreement is executed, Franchisee shall select the location of the Store, subject to Franchisor's approval, within the timeframe as provided in this Agreement.

1.3 The franchise location and territory set forth in Exhibit "A" may not be altered or changed by Franchisee without Franchisor's prior written approval. In the event there is such an approval, the new franchise location shall become the "Franchise Location" under the terms of this Agreement.

1.4 Except as expressly limited by Section 1.1, Franchisor retains all rights with respect to Stores, the Marks and the sale of Products and any other products and services anywhere in the world, including, but not limited to:

A. Selling or permitting others to sell any menu items sold at Churned Creamery Store, or pre-packaged items used to prepare any food items sold at Churned Creamery Stores, under the Marks or other names, to restaurants, convenience stores, grocery stores, specialty food stores, and department stores selling food item.

B. Selling or permitting others to sell any menu items sold at Churned Creamery Store, or operating (or granting others the right to operate) a Churned Creamery Store, at any location other than that specifically identified in this Section 1, at or within, any airport, rail or bus terminal, stadium, amusement park, public park, theater, military base, hospital or health care facility, educational facility, high density office location or other mass gathering place entirely or partially.

C. Selling or permitting others to sell any menu items sold at Churned Creamery Store, or pre-packaged items used to prepare any food items sold at Churned Creamery

Stores, under the Marks or other names from mobile units or carts, kiosks, vending machines, or other mobile or stationery devices.

D. Advertising and promoting the sale of, and selling, menu items sold at Churned Creamery Stores through the Internet or by using any other public computer network electronic communication method, or by mail order, catalog sales or comparable methods that solicit orders and business from customers situated anywhere without requiring the customer's physical presence in a Churned Creamery Store to complete the transaction.

1.5 Franchisee acknowledges and agrees that Franchisee has no right to participate, directly or indirectly, in any activity reserved by Franchisor, and that Franchisee has no right to object to any activity reserved by Franchisor.

1.6 Franchisee may not offer catering services without the express approval of Franchisor, and only upon Franchisee's purchase of required truck, trailer and other required equipment, and follow Franchisor's guidelines for operations. Franchisee shall not otherwise offer catering services.

ARTICLE II
DEVELOPMENT AND OPENING OF THE STORE

Site Selection and Lease of Store Premises:

2.1 Franchisee shall use Franchisor's designated vendor for Real Estate analytics services and research to assist in finding a site for the Store. Neither the vendor nor Franchisor's approval of a site shall constitute any guarantee of success in any manner whatsoever, only that such site meets the basic required criteria for a Churned Creamery Store. Franchisor shall have the right, in its sole discretion, to require:

A. Franchisee to execute a Site Location Addendum in the form attached as Exhibit "D" to this Agreement;

B. Franchisee to conditionally assign such lease to Franchisor (with the consent of the lessor, if required) by conditional lease assignment provisions in the form attached as Exhibit "C" to this Agreement in order to secure performance of any and all of Franchisee's liabilities and obligations to Franchisor; or

C. That such lease contain substantially the following provisions:

1. "Anything contained in this lease to the contrary notwithstanding, Lessor agrees that without its consent, this lease and the right, title and interest of the Lessee hereunder may be assigned by the Lessee to Churned Creamery International, Inc., or its designee."

2. "Lessee agrees that Lessor may, upon the written request of Churned Creamery International, Inc., disclose to Churned Creamery International, Inc. all reports, information or data in Lessor's possession respecting sales made in, upon or from the leased premises."

3. "Lessor shall give written notice to Churned Creamery International, Inc. (concurrently with the giving of such notice to Lessee) of any default by Lessee under the lease,

and Churned Creamery International, Inc. shall have the right, in its sole discretion, to cure any such default. Such notice shall be sent to Churned Creamery International, Inc. at its headquarters, or such other address as Churned Creamery International, Inc. may from time to time specify in writing to Lessor."

2.2 Franchisor shall have the right to approve the terms of any sublease or lease for the premises of the Store. If Franchisor cures any default by Franchisee under such lease, the total amount of all costs and payments incurred by Franchisor in effecting such cure shall be immediately due and owing by Franchisee to Franchisor.

2.3 Franchisee's execution of a lease or sublease for the location for Franchisee's Store shall constitute acceptance by Franchisee of such location and site and the terms of such lease and shall constitute a waiver of any claim or rights against Franchisor relating to Franchisee's choice of such site and location, and of the terms of such sublease or lease.

Development of Store:

2.4 Based on the information provided by Franchisee on their proposed premise for the Store, Franchisor will furnish to Franchisee prototype or proto-style plans and specifications for a store reflecting Franchisor's requirements for dimensions, exterior design, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and decor.

2.5 Within one hundred eighty (180) days after obtaining possession of the premises of the Store and having been furnished with the above-described plans and specifications, Franchisee will do or cause to be done the following:

A. Secure all financing required to fully develop the Store;

B. Prepare, at Franchisee's expense, and submit to Franchisor for approval (which approval may be granted or withheld at Franchisor's sole discretion) any proposed modifications to Franchisor's prototype or proto-style plans and specifications, which may be modified only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions, all such modifications being subject to prior notification to, and approval by, Franchisor;

C. Obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses;

D. Construct all required improvements to the premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with plans and specifications approved by Franchisor; and

E. Purchase, in accordance with Franchisor's specifications and requirements, an opening inventory of proprietary food items, Products, ingredients and other products and supplies required for the opening of the Store.

2.6. Franchisee shall use Franchisee's best efforts to complete development and have the Store ready to open within two hundred forty (240) days after Franchisee obtains possession of the premises. All activities, including without limitation, (1) obtaining bids and concluding a contract with a suitable general contractor or contractors for the construction of the Store; (2) obtaining bids and concluding orders for the signs, fixtures, furnishings, equipment and operating supplies and materials; (3) making all decisions concerning the construction, furnishing, equipping and staffing of the Store; (4) maintaining a current and complete accounting of the costs of development of the Store; and (5) supervising the construction, furnishing, equipping and staffing of the Store, shall be performed by Franchisee in the time frames necessary to complete the development of the Store on schedule. All final decisions concerning the development of the Store which are discretionary and not dictated by Franchisor's written specifications shall be made by Franchisee. Within a reasonable time after the completion of development, a final accounting of all costs of development of the Store, along with copies of all contracts, lien waivers, other paid receipts and equipment warranties, shall be provided by Franchisee to Franchisor when requested. Franchisee may, at Franchisee's option, purchase or lease equipment for the Store.

Fixtures, Equipment, Furniture and Signs:

2.7 Franchisee will use, in the construction and operation of the Store, only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that Franchisor has approved for Stores as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or display at the premises of the Store only such signs, emblems, lettering, logos and display materials that are from time to time approved in writing by Franchisor. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier approved or designated by Franchisor (which may include Franchisor and/or its affiliates), which approval may not be unreasonably withheld. If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture or sign not then approved by Franchisor, and/or any such item from any supplier which is not then approved by Franchisor, Franchisee shall first notify Franchisor in writing and shall submit to Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that does not meet Franchisor's standards or specifications.

Store Opening:

2.8 Franchisee will not open the Store for business until:

A. Franchisor determines that the Store has been constructed and equipped in accordance with approved plans and specifications;

B. Franchisee and Franchisee's manager(s) have completed training to Franchisor's reasonable satisfaction;

C. The Initial Franchise Fee and all other amounts due to Franchisor under this Agreement and any other related agreements to which Franchisee is a party have been paid;

D. Franchisor has been furnished with copies of all insurance policies required by Article XII of this Agreement, or such other evidence of insurance coverage as Franchisor requests; and

E. Franchisee has completed all preparations for the opening of the Store, as reasonably determined by Franchisor.

2.9 Franchisee will use its best efforts to have the Store ready to open for business within eight (8) months after the date Franchisee's lease or sublease is executed. Final approval by Franchisor of the opening of the Store shall be given in writing and shall be in Franchisor's reasonable discretion. Franchisee will open the Store for business within ten (10) days after receipt of such written notice from Franchisor. We will be available to provide assistance and guidance on your initial opening, as we deem necessary.

2.10 Relocation of Store:

2.11 If Franchisee's lease or sublease for the premises of the Store terminates without fault of Franchisee, or if the premises are damaged, condemned or otherwise unusable, or if in the reasonable judgment of Franchisor and Franchisee there is a change in the character of the location of the Store sufficiently detrimental to its business potential to warrant its relocation, Franchisor shall grant permission to Franchisee for relocation of the Store to a location approved by Franchisor. Any such relocation shall be at Franchisee's sole expense, and Franchisor shall have the right to charge Franchisee for costs and expenses incurred by Franchisor in connection with any relocation.

2.12 In the event of a relocation of the Store, Franchisee shall promptly remove from the first Store premises, and discontinue using for any purposes, any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery supplies, forms and other articles which display any of the Marks or any distinctive features or designs associated with Churned Creamery Stores. Furthermore, Franchisee shall, at Franchisee's expense, immediately make such changes, modifications or alterations as may be necessary to distinguish the first location clearly from its former appearance and from other Churned Creamery Stores and to prevent any possibility of confusion of the first location with a Churned Creamery Store by the public (including, without limitation, removal of all distinctive physical and structural features identifying Churned Creamery Stores and removal of all distinctive signs and emblems). Franchisee shall, at Franchisee's expense, make such specific additional changes as Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as Franchisor deems appropriate, Franchisee agrees that Franchisor or its designated agents may enter the premises of the first location and adjacent areas at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others, and without liability for trespass or other tort or criminal act. Franchisee expressly acknowledges that Franchisee's failure to make such alterations will cause irreparable injury to Franchisor, and consents to entry, at Franchisee's expense, of an ex-parte order by a court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the first Store premises is not promptly and completely undertaken, Franchisor may then revoke its permission for relocation and declare a default under this Agreement pursuant to Article XVII below.

ARTICLE III
PROPRIETARY MARKS AND GOODWILL

3.1 When used in this Agreement, "Marks" mean the trademarks and service marks which are used to identify Churned Creamery Stores and to distinguish it from that of any other business, and the trademarks, service marks, trade names, logos and commercial symbols as may be designated by Franchisor from time to time for use in connection with the System.

3.2 Franchisee is authorized to use the Marks, goodwill and trade secrets in the operation of the Store only at the location specified in Article I. Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose except as may be authorized in writing by Franchisor. Franchisee understands and agrees that the limited license to use the Marks granted hereby applies only to such proprietary marks as are designated by Franchisor, and which are not subsequently designated by Franchisor as being withdrawn from use, together with those which may hereafter be designated by Franchisor in writing. Franchisee expressly understands and agrees that Franchisee will not represent in any manner that Franchisee has acquired any ownership or equitable rights in any of Franchisor's Marks by virtue of the limited license granted hereunder, or by virtue of Franchisee's use of any of the Marks.

3.3 Franchisee acknowledges that Franchisor is the sole and exclusive licensee of all of the Marks, goodwill and trade secrets, and that Franchisee shall not register or attempt to register the Marks or to assert any rights in them other than as specifically granted in this Agreement.

3.4 At Franchisor's request, Franchisee shall assign, transfer or convey to Franchisor, in writing, all additional rights, if any, that may be acquired by Franchisee as a result of Franchisee's use of Marks.

3.5 Franchisee shall only use the Marks, logos, trade styles, color combinations, designs, signs, symbols and slogans of Franchisor, and only in the manner and to the extent specifically permitted by this Agreement or in any manuals, directives or memos (collectively referred to below as "Confidential Operations Manuals") prepared by Franchisor. Franchisee shall not use any confusingly similar Marks in connection with its franchise or any other business in which it has an interest.

3.6 Franchisor reserves the right to approve all signs, memos, stationery, business cards, advertising material forms and all other objects and supplies using Franchisor's Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials using the Marks shall comply with this Agreement and the Confidential Operations Manuals, and Franchisee shall obtain Franchisor's approval prior to such use.

3.7 If at any time, Franchisor in its sole discretion, decides to modify or discontinue use of any Mark and/or to adopt or use one or more additional or substitute proprietary marks, then Franchisee shall comply with any such instruction by Franchisor. In such event and at Franchisor's direction, Franchisee shall adopt, use and display only such new or modified Marks, and shall promptly discontinue the use and display of outmoded or superseded marks, at Franchisee's expense. Franchisee waives any claim arising from or relating to any proprietary mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any proprietary mark addition, modification, substitution or discontinuation. Franchisee will not commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

3.8 Upon the expiration, termination or non-renewal of this Agreement, Franchisee shall immediately cease using Franchisor's Marks, color combinations, designs, symbols or slogans; and Franchisee shall execute such documents and take such action as Franchisor may deem necessary or appropriate to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee shall not represent or imply that Franchisee is associated with Franchisor. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute, on Franchisee's behalf, any document or perform any legal act necessary to protect Franchisor's Marks from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of Franchisor's Marks will result in irreparable harm to Franchisor, for which Franchisor may obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs.

3.9 Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of Franchisor's Marks. Franchisee will immediately notify Franchisor of any other claim, demand or litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee.

3.10 Franchisor shall undertake the defense or prosecution of any litigation concerning Franchisee that relates to any of Franchisor's Marks or that, in Franchisor's judgment, may affect the goodwill of the System; and Franchisor may, in such circumstances, undertake any other action which it deems appropriate. Franchisor shall have sole and complete discretion in the conduct of any defense, prosecution or other action it chooses to undertake. Franchisee shall execute those documents and perform those acts, which in the opinion of Franchisor, are necessary for the defense or prosecution of the litigation or for such other action as Franchisor may undertake.

3.11 In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor, Franchisee will do business and advertise using only the Marks designated by Franchisor. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to, and shall not, use the name "Churned Creamery" by itself, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection.

3.12 In order to preserve the validity and integrity of Franchisor's Marks, and to assure that Franchisee is properly employing them in the operation of Franchisee's business, Franchisor and its agents shall have the right at all reasonable times to inspect Franchisee's business, financial books and records, and operations. Franchisee shall cooperate with and assist Franchisor's representative in such inspection.

3.13 Franchisee shall be required to affix the ™ or ® symbol upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "Churned Creamery" or any other of Franchisor's Marks, whether presently existing or developed in the future.

3.14 Franchisee acknowledges that it does not have any right to deny the use of Franchisor's Marks to any other franchisees. Franchisee shall execute all documents and take such action as Franchisor may request to allow Franchisor or other franchisees to have full use of the Marks.

3.15 If, during the term of this Agreement, there is a claim of prior use of any of Franchisor's Marks in the area in which Franchisee is doing business, Franchisee, at Franchisor's discretion, shall use Franchisor's Marks in such a way to avoid a continuing conflict.

3.16 Franchisor shall indemnify Franchisee against, and reimburse Franchisee for, all damages for which Franchisee is held liable in any proceeding in which Franchisee's use of any Mark pursuant to and in compliance with this Agreement is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against Franchisee or in any such proceedings in which he is named as a party, provided that Franchisee has timely notified Franchisor of such claim or proceedings, has otherwise complied with this Agreement, and has tendered complete control of the defense of such to Franchisor. If Franchisor defends such claim, Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

3.17 During the term of this Agreement and any renewal or extension hereof, Franchisee shall identify itself as the owner of the Store in conjunction with any use of the Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, contracts with all third parties or entities, as well as the display of such notices in such content and form at such conspicuous locations as Franchisor may designate in writing.

ARTICLE IV
TERM AND RENEWAL

4.1 Except as otherwise provided in this Agreement, the initial term of this franchise (the "Initial Term") shall be for ten (10) years from the date of execution of this Agreement.

4.2 Subject to the conditions specified in Section 4.3 below, Franchisee shall have the right to renew this Agreement for a period of ten (10) years from the date of the expiration of the Initial Term.

4.3 Franchisee's right of renewal pursuant to Section 4.2 above shall be subject to the following conditions precedent:

A. Neither this Agreement nor the lease or sublease agreement shall have been terminated for any reason, and the lease or sublease is renewable;

B. Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, any sublease agreement, or any other agreement between Franchisor or any subsidiary and/or affiliated corporation, and Franchisee has substantially complied with all of the terms and conditions of such agreements during their terms;

C. Franchisee shall have served notice of its intention to exercise its right of renewal not less than twelve (12) months nor more than eighteen (18) months prior to the expiration of the Initial Term;

D. Franchisee shall have effected the improvements to Franchisee's Store and its operations required by Franchisor pursuant to Section 4.4 below;

E. Franchisee has satisfied all monetary obligations due and owing to Franchisor, any subsidiary of Franchisor and/or any affiliated corporations of Franchisor, and Franchisee has timely met these obligations throughout the term of this Agreement and any other agreement in effect between Franchisor and Franchisee, and any renewals thereof;

F. Franchisee shall execute, upon renewal, Franchisor's then-current form of Franchise Agreement, which agreement shall supersede this Agreement in all respects and terms, and which may differ from the terms of this Agreement, including, without limitation, a higher royalty fee and higher advertising contribution;

G. Franchisee shall execute a general release, in a form prescribed by Franchisor, on any and all claims against Franchisor, any subsidiary of Franchisor and/or affiliated corporation of Franchisor, and their respective officers, directors, agents and employees;

H. Franchisee shall comply with Franchisor's then-current reasonable qualification and training requirements; and

I. Franchisee shall remit to Franchisor a renewal fee equal to One-Third (1/3) of the then-current Franchise Agreement.

4.4 Within three (3) months of the receipt of a notice to renew from Franchisee pursuant to Section 4.3 hereof, Franchisor shall complete a renewal report specifying the modifications and improvements and repairs, if any, required by Franchisor and which Franchisee must make to Franchisee's Store which must be in conformity with the then existing standards, and specifications pertaining to Franchisee's Store.

4.5 Franchisor expressly reserves the right to deny Franchisee's renewal in the event that Franchisee abandons Franchisee's Store and Franchisee ceases to operate and maintain Franchisee's Store in accordance with the terms of this Agreement.

4.6 In the event Franchisee shall continue to operate Franchisee's Store following the expiration, termination or non-renewal of this Agreement for any reason, with the express or implied consent of Franchisor, such continuation shall be construed to be an extension of the term of this Agreement only from month-to-month, terminable by either party on no more than thirty (30) days' notice to the other party and otherwise in accordance with all of the provisions of this Agreement.

ARTICLE V
INITIAL AND CONTINUING FEES PAYABLE TO FRANCHISOR

5.1 In consideration of the execution of this Agreement and Franchisor's granting to Franchisee the franchise covered hereby, Franchisee agrees to pay to Franchisor an Initial Franchise Fee of Thirty Thousand Dollars ($30,000.00) (the "Initial Franchise Fee"), payable upon the execution of this Agreement, which sum shall be deemed fully earned by Franchisor upon receipt thereof and is non-refundable.

5.2 In consideration of this franchise granted by this Agreement, the services to be provided by Franchisor, the right to prepare and sell the Products to the general public, and for the use of the Marks during the Initial Term and any subsequent renewals, Franchisee shall pay to Franchisor, in addition to the Initial Franchise Fee, a royalty fee equal to seven percent (7%) of the gross sales generated by, from, or through Franchisee's Store ("Royalty Fee").

5.3 For the purposes of determining the royalties to be paid, "Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Store (including, without limitation, income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Store), whether for cash or credit and regardless of collection in the case of credit. In the event of a cash shortage, the amount of Gross Sales shall be determined based on the records of the electronic cash register system. Gross Sales shall not include the following:

A. Receipts from the operation of any public telephone installed in the Store, or products from vending machines located at the Store, except for any amount representing Franchisee's share of such revenues;

B. Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Store, and any other tax, excise or duty which is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Store, provided that such taxes are actually transmitted to the appropriate taxing authority;

C. Returns to shippers or manufacturers; and

D. Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Store nor having any material effect upon the ongoing operation of the Store required under this Agreement.

5.3.1 Franchisor may, from time to time, authorize, in writing, certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by Franchisor in its discretion. In addition to the foregoing, the following are included within the definition of "Gross Sales" described except as noted below:

(1) The full value of meals furnished to Franchisee's employees by Franchisee, or the price paid by employees for meals purchased on their own

(2) All proceeds from the sale of coupons, gift certificates or vouchers at the time of sale; and

(3) All proceeds from reloadable gift cards at the time redeemed.

5.4 Royalty Fees are due and payable on the Wednesday of each week ("Payment Date"), relating to the week ending on the preceding Sunday. Franchisee shall remit Royalty Fees, Advertising Fees and any other monies owed to Franchisor under this Agreement via electronic funds transfer or other comparable means. Franchisee shall comply with the procedures established by Franchisor and/or to perform such acts and deliver and execute the Authorization to Honor Charges Drawn By and Payable To Churned Creamery International, Inc. including Checks and Electronic Transfers (Exhibit "H") and any other documents as may be necessary to assist in or accomplish such electronic method of payment.

5.5 Franchisee shall pay Franchisor a monthly Marketing Fee in the amount of 1.5% of Franchisee's Gross Sales, pursuant to Article IX below.

In the event any electronic funds transfer is not honored by Franchisee's bank for any reason, Franchisee shall be responsible for that payment, plus a service charge applied by Franchisor and the bank, if any. Franchisee shall, at all times throughout the term of this Agreement, maintain a minimum balance of Five Thousand Dollars ($5,000.00) in Franchisee's bank account against which such electronic funds transfers shall be drawn for the Store operated under this Agreement.

5.6 Any Fees and all other payments provided for in this Agreement not received by Franchisor within three (3) days of the Payment Date shall be subject to interest on a daily basis at a rate equal to two percent (2%) per month, or the then highest legal rate, whichever is less.

5.7 Acceptance by Franchisor of the payment of any Fee or any and all other payments provided for in this Agreement shall not be conclusive or binding on Franchisor with respect to the accuracy of such payment until two (2) years after the effective date of termination or non-renewal of this Agreement. Acceptance of any payment provided for in this Agreement does not constitute any waiver of Franchisor's rights under Article XVIII below.

5.8 Franchisee's obligations for the full and timely payment of all Fees and all other amounts provided for in this Agreement shall be absolute, unconditional and fully earned by Franchisor, except in those instances where Franchisor is in breach under this Agreement and has failed to cure such breach although obligated to do so. Franchisee shall not delay or withhold the payment of all or any part of the fees for any reason, put the fees in escrow, or set-off same against any and all claims or alleged claims Franchisee may allege against Franchisor.

5.9 If Franchisee has been authorized to provide the Optional Catering Services, Franchisee will pay Franchisor an annual Catering Service fee of $1,200 due upon Franchisor's authorization and annually thereafter so long as Catering services are provided.

ARTICLE VI
TRAINING AND COMMENCEMENT OF BUSINESS

6.1 During the time period prior to starting construction of Franchisee's Store, but not less than one month prior thereto, Franchisee shall attend Franchisor's initial training program, which shall be conducted at Franchisor's headquarters in Newport Beach, California or at another location designated by Franchisor, and complete the training program to Franchisor's satisfaction. Franchisee shall be responsible for all travel and living expenses which Franchisee and Franchisee's manager incurred in connection with the initial training program. During the training program, Franchisee shall receive instruction, training and education in the operation of the Store and indoctrination into the System. Such training program shall include, but not be limited to, instructing Franchisee in the preparation and sale of Franchisee's proprietary Menu Items, the Products and quality control techniques and procedures. There is no additional fee for the initial training for 2 people, however, if a trainee misses a training session/training day Franchisee will pay a $1000, re-scheduling and re-training fee for the missed session/day. If the trainee fails to pass the initial training, such person must be immediately re-trained and Franchisee will pay a $5,000 re-scheduling and retraining fee for our inconvenience and use of additional resources at unscheduled times.

6.2 Franchisee shall attend such periodic refresher and supplemental training programs or meetings at such locations as Franchisor may from time to time direct. All expenses of Franchisee incurred in connection with attendance at any such refresher or supplemental training programs or meetings shall be borne solely by Franchisee.

6.3 At all times during the term of this Agreement or any renewal thereof, Franchisee shall have a supervisor managing the operation of the Store who has successfully completed Franchisor's training program and is able to operate the Store in accordance with this Agreement and Franchisor's standards. If Franchisee's supervising manager is replaced, such manager must first attend training at Franchisee's cost of current training fee, currently $300 per day, plus travel and lodging as needed.

ARTICLE VII
OBLIGATIONS OF FRANCHISOR

If this agreement pertains to a 2nd or additional Churned Creamery Store for Franchisee, then some or all of the obligations below will be abbreviated or deleted in many cases. Franchisee is expected to have significant experience with all aspects or developing and operating an additional location and had received a reduced franchise fee based on an additional location with limited Franchisor involvement in most of these areas listed below. Franchisee should not expect the same or similar Franchisor assistance as with its first location. Should Franchisee desire dedicated Franchisor assistance, or additional or re-training in some of these areas, Franchisee shall pay franchisor a daily assistance or re-training fee of $300, plus Franchisor's travel and lodging.

7. In order to assist Franchisee in selecting a location, We will give you our site selection criteria for the Store. The site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses, the nature of other businesses in proximity to the site and other commercial characteristics, and the size, appearance and other physical characteristics of the proposed site. We will accept or deny a location you propose for the Store within 30 days after we receive the complete site report and other materials we request. We do not guarantee the success of any site or any lease.

7.1 In order to assist Franchisee in constructing Franchisee's Store, Franchisor shall furnish to Franchisee a set of prototype or proto-style plans and specifications for a typical Store including requirements for exterior and interior design, layout, equipment and sign placement and decor scheme, all as included in the System; Our representative will assist you with the purchase of equipment, signs, fixtures and opening inventory and supplies, but we will not install these items. We will assist you in setting up accounts with approved suppliers who are familiar with our specifications and will provide you a copy of such specifications. Franchisee must use Franchisor's approved sign vendor, or if Franchisee does not use Franchisor's approved sign vendor, Franchisee shall pay Franchisor a supervision fee of $1,000 prior to engaging Franchisee's separate sign vendor.

7.2 Franchisor shall provide Franchisee a list of Franchisor's approved architects and/or contractors, for construction of all leasehold improvements at Franchisee's Store in accordance with the plans and specifications. Should Franchisee not use Franchisor's approved Contractor, Franchisee shall pay Franchisor a Project supervision Fee of $20,000 prior to engaging Franchisee's own contractor.

7.3 Franchisor shall make available to Franchisee any further assistance that Franchisor may deem is required, based on the experience and judgment of Franchisor, in pre-opening, opening and initial business operation of Franchisee's Store, which assistance shall conform to that furnished to other existing franchisees as further defined in the Confidential Operations Manual. Franchisor shall have the right to determine the time or times at which such assistance shall be available to Franchisee. We will give you guidance on standards, specifications and operating procedures and methods used by other Churned Creamery Stores in the System; new recipe items, menu variations, food preparation and display methods; purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies; advertising and marketing programs; employee training; and administrative, bookkeeping and accounting procedures. This guidance will, at our discretion, be furnished in our Operations Manual, bulletins or other written materials and/or during telephone consultations at our office or the Store.

7.4 Franchisor shall make available to Franchisee a grand opening advertising program and ongoing local marketing programs for Franchisee's use.

7.5 Franchisor shall maintain an advisory relationship with Franchisee, including ongoing telephone consultation to aid in the proper and effective operation of the System, the frequency and duration of which shall be in the sole discretion of Franchisor in accordance with Confidential Operations Manual. Such operating assistance may consist of advice and guidance with respect to:

A. Methods and operating procedures utilized by Stores;

B. Additional food and beverage products and services authorized for sale by Stores;

C. Selection, purchasing and preparation of food products, beverages and other approved products, materials and supplies; and

D. The establishment and operation of administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for proper operation of Stores.

7.6 Franchisor or its designees or agents shall visit and inspect, from time to time, Franchisee's Store and evaluate the proper execution of the System, and confer with Franchisee and Franchisee's employees in order to assist in the proper business operation of Franchisee's Store in accordance with Confidential Operations Manual. Franchisor or its designees or agents shall have the absolute right to make inspections at such times and frequencies, during normal business hours, as Franchisor may determine. Franchisee will cooperate with Franchisor's representative in such inspections, render such assistance to them as they may reasonably request and immediately correct any failure to comply with the System and this Agreement as brought to Franchisee's attention by such representative. Franchisor may require at Franchisee's expense the re-training of staff because of poor performance standards of customer service. Franchisor re-trainer fee is $300/day until store is in compliance.

7.7 Franchisor shall use its reasonable efforts to require maintenance of high and uniform standards in the execution of the System at all Stores utilizing the System, in order to protect and enhance the reputation of Franchisor and its Marks. We will update periodically the Operations Manual, as needed, to incorporate new developments and changes in the Creamistry System, and will provide you a copy of all updates. Franchisee is required to comply with all updates and changes to Operations Manual.

7.8 In order to insure that the distinguishing characteristics of the System are uniformly maintained, Franchisor may from time to time establish standards for certain proprietary food items, products, equipment, commodities and supplies to be used by Franchisee in the execution of the System and may, in conjunction therewith, develop new proprietary food items, products, programs and develop new equipment and new techniques which Franchisee shall be required to use and/or purchase in the operation of Franchisee's Store. The purchase of any new required equipment will not materially increase the economic burden of Franchisee.

7.9 Neither Franchisor's approval of a specific location for Franchisee's Store, nor any other service provided by Franchisor pursuant to this Article shall be deemed a representation, warranty or judgment by Franchisor as to the likely success of Franchisee's Store at such location or as to the relative desirability of such location in comparison to others that might have been available to Franchisee.

ARTICLE VIII
OBLIGATIONS AND DUTIES OF FRANCHISEE

8.1 With 30 days after signing a lease for the location of the Churned Creamery Store, Franchisee must put together a Grand Opening Plan utilizing Franchisor's approved vendors, which must be approved by Franchisor. Such plan will include Public Relations, Media Outreach, Social Media promotion, Events Set-up, and Mailers/Ads, as well as on site presence and promotions over a period of time, as approved by Franchisor.. Franchisee must spent at least $15,000 in this Grand Opening promotion. If Franchisee does not put together a plan, Franchisor will put together one using an approved vendor and charge your account for the $15,000 minimum amount.

8.2 Franchisee or a designated and approved and trained manager shall, during the term of this Agreement and any renewal thereof, devote full time, energy and best efforts to the management and operation of Franchisee's Store, except as otherwise approved in writing by Franchisor, including, but not limited to, keeping the Store operating and open for business at the times specified in the Confidential Operations Manuals or as required by Franchisee's lease or sublease. The Training is **MANDATORY** and Franchisee must attend ALL classes for duration of each class, without interruption, may not leave early, may not accept calls during the classes, may not come and go and may not skip any class. Franchisor may charge Franchisee $1,000 for any Make up class/day missed by Franchisee or its manager, or other retraining due to missed class or portions of classes. If Franchisee, or its manager, fail to pass the initial training, Franchisee or its manager immediately must undergo a retraining, and pay Franchisor a re-training fee of $5,000. In addition, Franchisee shall ensure its manager and all employees are operating the store in strict accordance with the Operations Manual standards and procedures. Franchisor may require at Franchisee's expense the re-training of staff because of poor performance standards of customer service. Franchisor re-trainer fee is $300/day until store is in compliance.

8.3 At all times, Franchisee shall maintain, at Franchisee's own expense the interior and exterior of Franchisee's Store and all fixtures, furnishings, signs and equipment in the highest degree of cleanliness, orderliness, sanitation and repair, as determined by Franchisor. Franchisee shall make no material alteration, addition, replacement or improvement in or to the interior or exterior of the Store without the prior written consent of Franchisor, except that Franchisee shall be required to periodically renovate, refurbish and update Franchisee's Store so that it is in substantial conformity with Franchisor's then-current Store design, which renovations shall be applied to all franchisees. Such equipment shall include, but not be limited to, a computerized cash register system designated by Franchisor. In addition any new launch products and necessary upgraded equipment shall be instituted by Franchisee promptly.

8.4 From time to time, Franchisee will allow Franchisor to obtain and take samples of ingredients, products and supplies from Franchisee's Store for testing by Franchisor in order to assure that Franchisee complies with Franchisor's reasonable standards and specifications.

8.5 Franchisee will maintain a high moral and ethical standard in the operation and conduct of Franchisee's Store so as to create and maintain goodwill among the public for the name "Churned Creamery" and supervise and evaluate the performance of its staff to insure that each renders competent, efficient and quality service to the general public.

8.6 Franchisee recognizes that it is essential to the proper marketing of the Store, and to the preservation and promotion of its reputation and acceptance by the public at large, that standards of quality be maintained. As part of the consideration for this Agreement, Franchisee will at all times sell to retail customers only, or offer for sale to retail customers only, only those products and services that meet the reasonable specifications and standards from time to time approved in writing by Franchisor, as permitted under this Agreement, and as permitted under the lease or sublease. In furtherance thereof, Franchisee shall be required to purchase only from Franchisor or its designee any Trade Secret Food Products and Proprietary System Assets, comprised of certain kitchen equipment and instruments which are proprietary in nature and unique to the Store, that are specified by Franchisor from time to time. Franchisee will participate in Franchisor-created promotions, contents, sales, discount programs including coupon promotions.

8.7 In connection with the operation of Franchisee's Store, Franchisee is required to purchase certain equipment, packaging supplies, paper goods and other product service items for the preparation and service of the Products which bear any of the Marks ("Branded Products"). In addition to the Trade Secret Food Products, Franchisee shall be required to purchase from Franchisor, its designee or Franchisor-approved vendor any Branded Products at then-current prices established from time to time. Franchisee is also required to purchase certain types, models and brands of equipment, fixtures and furniture, which are not specified as a Proprietary System Asset, as provided in the Confidential Operations Manual ("System Items") from Franchisor, its designee or Franchisor-approved vendor. In the event that Franchisee desires to purchase any Branded Products or System Items from sources other than Franchisor, its designee or Franchisor-approved vendor, Franchisee shall so request in writing, specifying the item or product Franchisee desires to purchase from another source not already approved by Franchisor, including samples, specifications and sufficient information on the source to enable Franchisor to determine whether the item or product meets with Franchisor's quality assurance requirements and specifications. Upon submission of the requested information to Franchisor, Franchisor shall conduct its evaluation, taking into consideration the product quality, delivery frequency and reliability, service standards as well as financial capability and credit of the identified supplier. Franchisor shall charge a reasonable fee to Franchisee for conducting this evaluation. Franchisor shall conduct its evaluation and advise Franchisee in writing of its decision within thirty (30) days from the date on which Franchisor received the requested information and materials sufficient to commence its evaluation. Franchisor and Franchisee acknowledge that Franchisor has no obligation to approve any request for a new supplier, product or item, but that Franchisor shall not unreasonably withhold its approval in this process.

8.8 In connection with the operation of Franchisee's Store, Franchisee is required to purchase certain other food products, beverages and other similar products and other items offered for consumption to the retail purchaser as set forth in the Confidential Operations Manual. Franchisee's obligation under this Section 8.8 shall be satisfied so long as Franchisee purchases the stated products from sources of supply approved by Franchisor, subject to the same meeting the strict specifications of Franchisor which may be changed, modified or updated from time to time. Nothing in this Agreement shall be construed as an attempt to unreasonably limit the sources from which Franchisee may procure such food products, beverages, products and other similar items. Rather, Franchisor intends that such items conform to Franchisor's strict standards and strict specifications of consistent quality and uniformity. Nothing contained in this Agreement shall be deemed to require Franchisor to approve an inordinate number of suppliers of a given item which, in the reasonable judgment of Franchisor, would result in higher costs generally to Franchisee or prevent effective and economical supervision of suppliers by Franchisor. Requests for approval of additional suppliers of non-Trade Secret Food Products or non-Branded Products shall be in writing and shall contain such information as Franchisor may reasonably request. Franchisor shall charge a reasonable fee to Franchisee for considering requests for approval. Franchisor shall, within thirty (30) days, notify Franchisee whether or not such proposed supplier is approved. Franchisor may impose limits on the number of suppliers for any ingredient or food or beverage item used or served by the Store.

8.9 In connection with Franchisee's Store, Franchisee is required to purchase or lease certain equipment, materials and supplies, as well as certain ongoing and required services including the POS system and online ordering system, and other services either from Franchisor or from suppliers approved by Franchisor. **FRANCHISOR EXPRESSLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS AS TO THE CONDITION OF SAME, INCLUDING WITHOUT LIMITATION, EXPRESS OR IMPLIED WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE. FRANCHISEE AGREES TO LOOK SOLELY TO THE MANUFACTURER OR SUPPLIER OF SAME FOR ANY REMEDY OR LIABILITY IN THE EVENT OF ANY DEFECTS THEREIN.**

8.10 Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation any confidential information, knowledge, recipes, food preparation methods, or know-how concerning the methods of operation of the business franchised under this Agreement which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Store. Any and all information, knowledge and know-how, and other data which Franchisor designates as confidential, shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to Franchisee's attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had become a part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain, through publication or communication by others.

8.11 Franchisee shall only sell or offer for sale such products as described in the prime lease, and Franchisee must obtain Franchisor's written approval for all contemplated menu changes and all additions to and/or deletions of items sold in Franchisee's Store.

8.12 Franchisee shall comply with all the terms, conditions, requirements, covenants and agreements set forth in this Agreement, and any renewals thereof, and supply Franchisor with such information (in addition to that otherwise provided for in this Agreement) as may be reasonably requested by Franchisor.

8.13 Franchisee shall use a standard menu and menu format as required by Franchisor. Franchisee may employ any reputable printer to reproduce Franchisee's menus using Franchisor's format and specifications. This provision shall not constitute a license of any copyright or trademark to the prospective printer of such menus. Any changes in the menu used at the Store shall be approved in writing by Franchisor prior to use. At Franchisor's discretion the standard menu format may contain advertising reference to other Stores.

8.14 Franchisee shall promptly pay, when due, all ongoing required services, such as POS fees and Online ordering fees, as well as timely paying all other ongoing expenses for the Store as they are due, including lease payments for the location.

8.15 Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, federal income taxes, sales taxes, unemployment taxes and all indebtedness to Franchisor incurred by Franchisee in the conduct of the business licensed by this Agreement.

8.16 Franchisee shall comply with all federal, state and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business licensed by this Agreement, including, without limitation, operation licenses, licenses to do business and fictitious name registration.

8.17 Franchisee shall notify Franchisor, in writing, within five (5) days of the commencement of any action, claim, suit or proceeding, and of the issuance of any order, writ, injunction, suit or proceeding, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Store.

8.18 Franchisee shall not pledge Franchisor's credit or bind Franchisor to any obligation, nor shall it hold itself out as being authorized to do so.

8.19 Franchisee shall require all personnel employed by Franchisee to wear standard related uniforms and attire during business hours in order to further enhance Franchisor's product and format. Franchisee shall be permitted to purchase such uniforms and attire from manufacturers or distributors approved by Franchisor, which uniforms and attire must be in strict accord with Franchisor's design and other specifications.

8.20 Franchisor and Franchisee understand and agree that the operation of the Store, maintenance of its premises and equipment, conduct and appearance of its personnel, and the preparation and sale of products therefrom are all regulated by governmental statutes and regulations. To this end, Franchisee owes an obligation to the patrons of Franchisee's Store, Franchisor, and to Franchisee, to fully and faithfully comply with all those applicable governing authorities. If any product dispensed at Franchisee's Store evidences adulteration from the standards of Franchisor's food items, or is in violation of applicable law or regulations, or in the event the food items, premises, equipment, personnel or operation of the Store fail to be maintained in accordance with the governmental requirements referred to above, Franchisee shall immediately notify Franchisor and provide all relevant information requested by Franchisor, close Franchisee's Store, terminate selling operations at the Store, destroy all contaminated or adulterated products and eliminate the source thereof, and remedy all unsanitary conditions present, reopening for business only after Franchisor's inspection and provided that laboratory analysis from samples obtained for that purpose by Franchisor evidence a compliance with the applicable governmental requirements and with the standards of Franchisor. If Franchisee or any of Franchisee's agents or employees fails or refuses to comply with all of the above remedial measures or in the event of any repetition of any adulteration or palming off or failure of sanitation in the Store:

A. Franchisee shall pay the costs and expenses, including attorneys' fees, of both parties, incurred in enforcing the provisions of this Subsection or any provision of this Franchise Agreement in obtaining Franchisee's compliance with the Agreement. In addition, Franchisee shall pay a $1,000 fine per material violation of the Franchise Agreement. The remedies set forth in this paragraph are in addition to and not in substitution for those set forth in Article XXIII of this Franchise Agreement.

B. In furtherance of the foregoing, Franchisee must submit copies of all health, sanitation or other regulatory agency inspection reports to Franchisor immediately upon receipt thereof.

8.21 Franchisor may, from time to time, conduct market research and testing to determine consumer trends and the salability of new food products and services. Franchisee will cooperate by participating in Franchisor's market research programs, test marketing new food products and services in the Store, and providing Franchisor with timely reports and other relevant information regarding such market research. In connection with any such test marketing, Franchisee shall purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell such products. Franchisee shall offer any new products determined by Franchisor to be new menu offerings.

8.22 Franchisee shall be absolutely prohibited from having any vending machines, lottery games or games of chance, newspaper racks, juke boxes, gum or candy machines, games, pinball machines, pay telephones, video games, rides or other mechanical or electronic devices installed or operated at the Store.

8.23 Franchisee shall comply with all terms of Exhibit E (Confidentiality and Non-Competition Agreement).

ARTICLE IX
ADVERTISING AND PROMOTIONAL ACTIVITIES

9.1 Recognizing the value of marketing and the importance of the standardization of promotions and public relations programs to the furtherance of the goodwill and public image of the System and the Marks, Franchisee will contribute to a system-wide advertising and promotional fund (the "Fund") when it is created, on a monthly basis during the term of this Agreement an amount Franchisor determines that will not exceed one and one-half percent (1 1/2%) of Franchisee's Gross Sales.

9.2 The Fund will be maintained and administered as follows:

9.2.1 Franchisee will contribute to the Fund monthly by electronic transfer (as specified in the Confidential Operations Manual) based on Franchisee's Gross Sales for each preceding month. During any period of business interruption, Franchisee will continue to make monthly contributions based on Franchisee's average monthly payment during the three (3) month period immediately preceding the period of business interruption.

9.2.2 Any Franchisor-owned Churned Creamery Stores will make contributions to the Fund on a basis at least equal to that described in Section 9.1.

9.2.3 Franchisor will direct all advertising and promotional programs, with the sole discretion of approval over agencies, spokespersons, creative concepts, materials, and media placements and allocations used in the programs. The Fund will establish and maintain an on-line presence. Franchisee agrees that the Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System, and that Franchisor and its designees undertake no obligation in administering the Fund to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contributions, or to ensure that Franchisee benefits directly or pro rata from the placement of advertising.

9.2.4 Franchisee agrees that the Fund may be used to meet the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and conducting television, radio, magazine, newspaper, direct mail and coupon advertising campaigns and other public relations activities; employing advertising agencies; providing a toll-free number for prospective customers to call for referral purposes; and providing promotional brochures and other marketing materials to franchisees in the System). All sums contributed to the Fund will be maintained in a separate account from Franchisor's general funds and will not be used to defray Franchisor's general operating expenses, except for reasonable administrative costs and overhead incurred in activities related to the administration or direction of the Fund up to fifteen percent (15%).

9.2.5 If Franchisor spends less than the total of all contributions to the Fund during any fiscal year, it has the right to retain those contributions for use in subsequent years. If Franchisor spends more than the contributions accumulated in the Fund during any fiscal year, it will have the right to receive from the Fund reimbursement or credit during the same or subsequent years to the extent of the excess expenditure.

9.2.6 An unaudited summary report on the operation of the Fund will be prepared annually and will be made available to Franchisee on request ninety (90) to one hundred twenty (120) days after fiscal year end.

9.2.7 Although the Fund is intended to be of perpetual duration, Franchisor retains the right to terminate the Fund. The Fund will not be terminated, however, until all contributions have been used for the purposes described above or returned to contributors on a pro rated basis.

9.2.8 Franchisee authorizes Franchisor to collect, for remission to the Fund, any advertising or promotional monies or credits offered by any supplier based upon Franchisee's purchases. Any advertising or promotional monies or credits Franchisor collects from any supplier based upon Franchisee's purchases will not be credited toward Franchisee's required contribution to the Fund.

9.2.9 Franchisor may establish an advertising council of franchisees. If established, the council will advise Franchisor on advertising policies, and Franchisees will elect the members of the council. The council will be advisory and have no operational or decision-making power. The council will operate under its own by-laws, but Franchisor will have the right to change or dissolve the council.

9.3 Franchisee must participate in any local advertising cooperative that Franchisor establishes or causes to be formed, if Franchisor requires Franchisee's participation. Such participation may involve, for example, paying a pro rata share of the cost of social media and/or online presence placed on behalf of Franchisee and other Churned Creamery Stores. Franchisee may not solicit business through the use of an 800 (or other toll-free) number, direct mail or other advertising method without Franchisor's prior written consent.

9.4 Franchisee must spend at least 1% Gross Sales for local advertising, and must provide proof of expenditures to Franchisor upon request. Franchisee must submit to Franchisor, for its approval, all materials to be used for local advertising, unless they have been approved before or they consist only of materials Franchisor provided. All materials containing the Marks must include the designation trademark ™, registered trademark ®, service mark ℠, copyright ©, or any other designation Franchisor specifies. If Franchisee does not receive written or oral disapproval of any materials submitted within ten (10) days from the date Franchisor receives the materials, the materials are deemed approved. Franchisor may require Franchisee to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved. Franchisor must make this requirement in writing, and Franchisee will have five (5) days after receipt of Franchisor's notice to withdraw and/or discontinue use of the materials or advertising. Franchisee must include in any significant display advertisements, and in marketing materials for the Store, in conformance with standards in the Confidential Operations Manual, a notice that the Store is individually owned and operated. Subject to any legal restrictions, Franchisee also must display or make available, in the reception area of the Store, marketing materials intended for general customers that Franchisor may provide to Franchisee from time to time. Franchisee must participate in all Gift Card promotions and programs, in accordance with the program details in the Operations Manual, or as otherwise as outlined by Franchisor

9.5 Franchisee acknowledges and agrees that Franchisor will own all rights to and interest in each telephone number and telephone directory listing used by Franchisee that is associated in any manner with Franchisee's Store and/or with any Mark ("Telephone Listing"). Franchisee acknowledges and agrees that all goodwill arising from or in connection with the use of each Telephone Listing will inure to Franchisor's benefit. Promptly after the expiration, termination, repurchase or transfer of the franchise, and at Franchisee's own expense, Franchisee will notify all telephone companies with whom Franchisee has any Telephone Listing and direct them to transfer the Telephone Listing to Franchisor or to any person(s) Franchisor designates, and Franchisee will execute any and all documents necessary to complete these transfer(s). Upon the execution of this Agreement, Franchisee will sign a telephone transfer consent and authorization, in a form substantially similar to Exhibit G, granting Franchisor the authority to change, transfer or terminate Franchisee's Telephone Listing(s) on Franchisee's behalf. Franchisor will use this authorization only if Franchisee does not comply fully with this Section 9.5 after the expiration, termination, repurchase or transfer of the franchise.

9.6 Franchisee shall not maintain a World Wide Website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Store without Franchisor's prior written approval, which Franchisor may withhold for any reason or for no reason. Franchisee will submit to Franchisor for approval before use, true and correct printouts of all Website pages Franchisee proposes to use in Franchisee's Website in connection with the Store. Franchisee understands and agrees that Franchisor's right of approval of all such Web materials is necessitated by the fact that such Web materials will include and be inextricably linked with Franchisor's Marks. Franchisee may only use material which Franchisor has approved. Franchisee's Website shall conform to all of Franchisor's Website requirements, whether set forth in the Confidential Operations Manuals or otherwise. Franchisee agrees to provide all hyperlinks or other links that Franchisor requires. If Franchisor grants approval for a Website, Franchisee may not use any of the Marks at the site except as Franchisor expressly permits. Franchisee may not post any of Franchisor's proprietary, confidential or copyrighted material or information on Franchisee's Website without Franchisor's prior written consent. If Franchisee wishes to modify the approved site, all proposed modifications must also receive Franchisor's prior written approval. Franchisee explicitly understands that Franchisee may not post on Franchisee's Website any material which any third party has any direct or indirect ownership interest in (including, without limitation, video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third party may claim intellectual property ownership interests). Franchisee will list on Franchisee's Website any Website maintained by Franchisor, and any other information Franchisor requires in the manner Franchisor dictates. Franchisee agrees to obtain Franchisor's prior written approval for any internet domain name and/or home page address. The requirement for Franchisor's prior written approval set forth in this Section will apply to all activities on the Internet or other communications network to be conducted by Franchisee, except that Franchisee may maintain one or more E-mail addresses and may conduct individual E-mail communication without Franchisor's prior approval as provided above if Franchisee proposes to send advertising to multiple addresses via E-mail.

9.7 Franchisee may not use any social media except in accordance with Franchisor's social media policies and requirements in the Operations Manual, or otherwise instituted by Franchisor.

ARTICLE X
REPORTS TO FRANCHISOR

10.1 Franchisee shall keep full, complete and accurate books and accounts in accordance with generally accepted accounting principles and in accordance with the System, and Franchisee shall submit to Franchisor:

A. Concurrently with the payment of the Royalty Fees, on a form supplied or approved by Franchisor, a signed and verified statement of Gross Sales in cash, credit and/or other charges, and when Franchisee is tied into the computerized cash register system such reports shall be transmitted electronically;

B. Within sixty (60) days after the close of each twelve (12) month period, an annual profit and loss statement for the Store for such year and a balance sheet for the Store as of the end of such year, reviewed by an independent certified public accountant. Franchisor may randomly select a franchisee or franchisees who will be required to have an audited financial statement prepared by a certified public accountant selected by the franchisee, but who shall be acceptable to Franchisor, which opinion may be qualified only to the extent reasonably acceptable to Franchisor;

C. Promptly when prepared, a copy of all of Franchisee's Federal, State and Local tax returns of any kind or nature; and a certificate from Franchisee's accountant that all Social Security payments, taxes and fees required to be paid by Franchisee have been paid, and that there is no reason to believe that Franchisee's corporate status, if Franchisee is a corporation, has been impaired; and

D. Such other periodic forms and reports as may be reasonably prescribed by Franchisor.

10.2 Franchisee shall preserve, for a period of not less than three (3) years, all accounting records and supporting documents relating to Franchisee's business under this Agreement.

10.3 Franchisee shall record, in a manner approved and designated by Franchisor at the time of receipt, all sales of all products sold by Franchisee from Franchisee's Store in a computerized cash register of a type designated by Franchisor, or on any other machine or recording device recommended or approved in advance by Franchisor.

10.4 In order to determine whether Franchisee is complying with this Agreement, Franchisor or its designated agents shall have the right, at any time during reasonable business hours, to examine, at its expense, the books, records, cash control devices, income tax returns, bank statements, sales records of the Store, and the books and records of any corporation or partnership which owns the franchise. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection or audit should reveal that Gross Sales and/or payments have been understated in any report to Franchisor by more than two percent (2%), then Franchisee shall, upon fifteen (15) days' notice, pay to Franchisor the amount understated upon demand, and in addition reimburse Franchisor for any and all costs and expenses connected with the inspection or audit (including without limitation, reasonable accounting and attorneys' fees, travel expenses, room and board and compensation of employees or agents of Franchisor). The foregoing remedies shall be in addition to any other remedies Franchisor may have hereunder or under applicable law.

ARTICLE XI
CONFIDENTIAL OPERATIONS MANUAL AND FRANCHISE OPERATING SYSTEM INTRANET (FOS)

11.1 Franchisor shall lend to Franchisee a confidential operations manual published or in digital form by Franchisor (the "Confidential Operations Manual") and give Franchisee access to the electronic FOS which shall include, in part, the business procedures, technical advice and rules and regulations for operating the business. The Confidential Operations Manual is a "living document" and will be revised from time to time. You are required to abide by all the Operations Manual policies and procedures.

11.2 Franchisee acknowledges and agrees that:

A. The Confidential Operations Manual and FOS are, and shall remain, the property of Franchisor throughout the term of this Agreement, any renewal hereof and thereafter;

B. The Confidential Operations Manual and FOS contain confidential information which Franchisee will protect as a trade secret, and its loss will cause substantial damage to Franchisor and other franchisees, although the amount of such loss would be incalculable with any degree of accuracy;

C. Franchisee shall not reprint or reproduce or digitally send any portion of the Confidential Operations Manual or FOS for any reason; and

D. Upon termination of this Agreement for any reason, Franchisee will immediately return the Confidential Operations Manual to Franchisor and will not have further access to the FOS.

11.3 Franchisor may add to or otherwise modify the Confidential Operations Manual, and the FOS from time to time, whenever it considers such additions or modifications desirable to improve or maintain the standards of the System and its efficient operation, or to protect or maintain the goodwill associated with the "Churned Creamery" name and Marks or to meet competition, provided such additions or modifications are system-wide in nature and do not substantially increase Franchisee's economic burden. Franchisee must adhere to all changes in the Operations Manual.

11.4 Franchisee and Franchisee's Manager must sign a Confidentiality and Non-competition Agreement attached as Exhibit E to the Franchise Agreement.

ARTICLE XII
INSURANCE

12.1 Franchisee, at its sole cost and expense, shall obtain and place with an insurer rated "AAA" in Best's Directory who is authorized to do business in the state in which Franchisee's Store is located, and to keep in full force and effect during the terms of this Agreement, insurance coverage on an "occurrence basis" naming Franchisor, its officers, directors and shareholders and any supplier of Products, and any designated primary and secondary lessor as co-insured's (such insurance policies referred to below collectively as "Insurance") as follows:

A. Broad Form Comprehensive General Liability with limits of no less than Two Million Dollars ($2,000,000) in case of damage or injury to one or more persons, including indemnification coverage and property damage insurance of Five Hundred Thousand Dollars ($500,000); both of which shall be considered primary policies;

B. All risk coverage on all personal property covering Franchisee's Store and premises and contents thereof, including, without limitation, all supplies, inventory, fixtures, and equipment and business interruption in amounts not less than is sufficient to meet the co-insurance requirements of Franchisee's policies, and which business interruption insurance covers at least six (6) months of rent, royalties and advertising fees, and contain a replacement value endorsement in an amount not less than ninety percent (90%) of the replacement value thereof, and any loss shall be payable to Franchisor and Franchisee as their interests may appear;

C. Worker's Compensation and Disability Insurance as may be required by law;

D. Products Liability Insurance in an amount not less than Two Million Dollars ($2,000,000), which policy shall be considered primary; and

E. Any other insurance coverage as required by the State, Federal or local municipality in which the franchised premises are located.

F. Automobile insurance in the amount of $1,000,000 for any automobile to be used in connection with the operations of the Churned Creamery Store.

12.2 The insurance shall cover the acts or omissions of each and every one of the persons who perform services of any nature at Franchisee's Store, and shall protect against all acts of any persons who patronize the Store and shall contain a waiver of subrogation against Franchisor.

12.3 Prior to the opening of Franchisee's Store, Franchisee will deliver to Franchisor certificates of the Insurance, together with the copies of the actual policies issued, and will promptly pay all premiums thereon as and when the same become due. All policies shall provide that they are non-cancelable as to Franchisor unless Franchisor receives at least thirty (30) days' prior written notice of cancellation. Franchisor shall have the right, but shall not be obligated, to pay premiums due and unpaid by Franchisee or else to obtain substitute coverage in the case of cancellation. Any cost thereof to Franchisor shall be added to the Royalty Fees otherwise payable to Franchisor under this Agreement, provided, however, that same shall be due and payable to Franchisor by Franchisee within five (5) days of demand therefor.

12.4 Franchisor reserves the right to demand that Franchisee obtain Insurance from time to time which is different in coverage, risks, amount or otherwise from the foregoing in order to protect fully the parties having insurable interests in Franchisee's Store, provided such Insurance is reasonably common in the area for similar operations.

12.5 Franchisee shall immediately notify Franchisor, in writing, of any accidents, injury, occurrence or claim that might give rise to a liability or claim against Franchisor or which could materially affect Franchisee's business, and such notice shall be provided no later than the date upon which Franchisee notifies Franchisee's insurance carrier.

12.6 FRANCHISEE MUST BE SURE ITS CONTRACTORS HAVE BUILDER'S RISK INSURANCE PRIOR TO STARTING CONSTRUCTION.

ARTICLE XIII
RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

13.1 The relationship between Franchisor and Franchisee is strictly that of a franchisor and franchisee, and Franchisee shall be deemed to be an independent contractor. This Agreement does not create a fiduciary relationship between Franchisor and Franchisee, joint venture, partnership, or agency, and any act or omission of either party shall not bind or obligate the other except as expressly set forth in this Agreement.

13.2 Franchisee recognizes that Franchisor has entered into this Agreement in reliance upon and in recognition of the fact that Franchisee will have full responsibility for the management and operation of the business, and that the amount of profit or loss resulting from the operation of the business will be directly and solely attributable to the performance of Franchisee.

13.3 Except as expressly granted in this Agreement, Franchisee recognizes that nothing contained in this Agreement shall be construed as giving to Franchisee or to any other person or entity, any right or interest in Franchisor's names, Marks, trade secrets, methods, procedures or techniques developed by Franchisor and used in the System. Further, except as specifically set forth in Article I above, nothing contained in this Agreement shall be construed as limiting Franchisor's right, title or interest in the "Churned Creamery" name, Marks, trade secrets, methods, procedures and techniques which are a part of the System or Franchisor's sole and exclusive right to register trade secrets, methods, procedures and techniques.

13.4 In all public records and prominently displayed in Franchisee's Store and in Franchisee's relationship with third parties, as well as on letterheads and business forms, Franchisee shall indicate clearly the independent ownership of Franchisee's Store, and that the operations of same are separate and distinct from the operation of Franchisor's business. Franchisee must make a sign or other notice that clearly states "This Churned Creamery establishment is independently owned and operated as a franchise by XXXXX (owner). Franchisor shall have the absolute right to approve and/or supply any sign displays containing the foregoing.

13.5 Franchisor shall have no liability for any sales, use, excise, gross receipts, property or other taxes, whether levied upon Franchisee, the Store or its assets, or upon Franchisor in connection with sales made, services performed or business conducted by Franchisee.

13.6 Franchisee shall defend, indemnify and hold Franchisor and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents and assignees harmless against, and to reimburse them for any loss, liability, taxes or damages (actual or consequential) and all reasonable costs and expenses of defending any claim brought against any of them or any action in which any of them is named as a party (including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) which any of them may suffer, sustain or incur by reason of, arising from or in connection with Franchisee's ownership or operation of the Store.

ARTICLE XIV
COVENANTS NOT TO COMPETE

14.1 During the term of this Agreement, or any extension thereof, neither Franchisee, nor any partner, if Franchisee is a partnership, nor any shareholder, if Franchisee is a corporation, shall either directly or indirectly for himself or herself or on behalf of, or in conjunction with any other person, persons, partnership, association or corporation, own, maintain, engage in, participate or have any interest in the operation of any enterprise which is the same or substantially similar to the Churned Creamery Store franchise, or any other business which distributes, produces or sells the Menu Items (where the cumulative sales of such Menu Items comprise at least 50% of total sales of such business), provided, however, that this prohibition should not apply to the ownership by Franchisee of additional Churned Creamery Stores.

14.2 For a period of two (2) years following termination, expiration, or non-renewal of this Agreement, except where the termination occurs due to the fault or action of Franchisor and not due to default of Franchisee or any partner, if Franchisee is a partnership, or any shareholder, if Franchisee is a corporation, Franchisee shall not, except with respect to the ownership or operation by Franchisee of additional Stores:

A. Engage, employ or compensate or seek to employ any person who is at that time engaged, operating or employed by or at any other Stores, or to otherwise directly or indirectly induce such person to leave employment at any Store;

B. Either directly or indirectly for himself or on the behalf of, or in conjunction with, any other person, persons, partnership, association or corporation, own, maintain, engage in, participate in, or have any interest in the operation of any enterprise which directly or indirectly competes with or is the same or substantially similar to the franchise covered by this Agreement, or which distributes, produces or sells the Products within the "Minimum Area of Competition". The "Minimum Area of Competition" shall be deemed to be that area which is within a radius of ten (10) miles from Franchisee's Store, or any other Store in operation on the effective date of termination or expiration, whether franchised or company-owned.

14.3 If Franchisee fails or refuses to comply with any covenants of this Article, even if such failure or refusal is based upon a claim that the laws of any particular jurisdiction excuse such non-compliance, or make the provisions unenforceable in whole or in part, and provided that the jurisdiction in which Franchisee's Store is located permits, Franchisee separately covenants and agrees that while this Agreement is in effect and for two (2) years after its termination, except where termination occurs due to the fault or action of Franchisor and not due to default of Franchisee, Franchisor shall have the right to require that all sales made in the operation of any business which directly or indirectly competes with: (a) Franchisor; (b) a Store; or (c) the System, or which distributes, produces or sells any of the Products (i) anywhere, if this Agreement is then in effect, or (ii) within the Minimum Area of Competition, if this Agreement has been terminated, shall be reported to Franchisor. Franchisee agrees to pay Franchisor upon demand, the weekly fee of Five Hundred Dollars ($500) at the times and in the manner specified in Article V above, all without being deemed to revive, modify or expand this Agreement. The covenants of this Article shall survive the termination or expiration of this Agreement.

14.4 Franchisee shall not, during the term of this Agreement or after its termination or non-renewal, communicate or divulge to any other person, persons, partnership or corporation, any information or knowledge concerning the methods of operation used in the Store, nor shall Franchisee disclose or divulge, in whole or in part, any trade secrets of Franchisor or its affiliated companies or subsidiaries.

14.5 The covenants contained in Sections 14.2, 14.3 and 14.4 above shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed with the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated and made a part of this Article.

14.6 Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor, and that in the event of a breach of covenants contained in this paragraph, the damage to Franchisor would be difficult to ascertain. In addition to the liquidated damages payable to Franchisor as provided below for the breach of any or all of the above covenants, Franchisor shall be entitled to seek injunctive and/or other equitable relief against the violation of any of those covenants, together with reasonable attorneys' fees and costs.

14.7 Covenants contained in this Article shall be construed as severable and independent and shall be interpreted and applied consistent with the requirements of reasonableness and equity. Any judicial reformation of these covenants consistent with this interpretation shall be enforceable as though contained in this Agreement and shall not affect any other provisions or terms of this Agreement.

14.8 Franchisee and Franchisee's Manager must sign a Confidentiality and Non-Competition Agreement, attached as Exhibit E to the Franchise Agreement.

ARTICLE XV
MODIFICATION OF THE SYSTEM

Franchisee understands and agrees that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends, other market place variables and the needs of customers, and to best serve the interests of Franchisor, Franchisee and all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System, including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those programs and services which Franchisee's Store is authorized to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which Franchisee is required to observe hereunder; and changing, improving or modifying the Marks. Subject to the other provisions of this Agreement, Franchisee expressly agrees to promptly implement any such modifications, changes, additions, deletions and alterations, provided, however, that those changes are applied uniformly to all franchisees.

Franchisee shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.

Except as provided in this Agreement, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

ARTICLE XVI
FRANCHISEE

The term "Franchisee" shall include all persons who succeed to the interest of the original Franchisee by transfer or operation of law, and shall be deemed to include not only the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement, but shall also include partners of the entity that execute this Agreement in the event the entity is a partnership, and all shareholders, officers and directors of the entity that execute this Agreement in the event the entity is a corporation. By their signatures to this Agreement, all partners, shareholders, officers and directors of the entity that signs this Agreement as Franchisee acknowledge and accept, jointly and severally, the duties and obligations imposed upon each of them, individually, by the terms of this Agreement. The singular usage includes the plural and the neuter and masculine usages include the other and the feminine.

ARTICLE XVII
TERMINATION

17.1 Providing that Franchisee does not cure any default within the timeframe or otherwise as indicated in section 17.2 below, Franchisor may terminate this Agreement upon the occurrence of any of the following events of default:

A. Failure by Franchisee to make complete and timely payment of any and all fees and billings due Franchisor or any of its subsidiary or affiliated corporations;

B. Failure to comply with the reporting or record keeping requirements of this Agreement, and/or the under-reporting of Gross Sales by two percent (2%) or more;

C. The misstatement by Franchisee of any material fact, or failure to disclose or the understatement of any material fact in any report furnished to Franchisor pursuant to this Agreement or the Confidential Operations Manual, whether or not such misstatement or failure to disclose or understatement is intentional;

D. A breach by Franchisee of any provision of this Agreement, any material provision of the Confidential Operations Manual, or any other agreement between Franchisor and Franchisee or any of its subsidiary or affiliated corporations;

E. Failure by Franchisee to make good faith efforts to carry out the provisions of this Agreement;

F. Franchisee's engaging in any conduct or practice that, in the reasonable opinion of Franchisor, is detrimental or harmful to the good name, goodwill or reputation of Franchisor or its products or other franchisees or the public;

G. Franchisee's engaging in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice;

H. Any pledge or attempted pledge of Franchisor's credit by Franchisee, or an attempt by Franchisee to bind Franchisor to any obligation;

I. Failure by Franchisee to participate in the advertising, promotional, or marketing activities, services, and programs that are established by Franchisor or Franchisor's Fund;

J. Unauthorized or improper use by Franchisee of Franchisor's Marks;

K. Misuse or unauthorized disclosure by Franchisee of the Confidential Operations Manual, information or materials;

L. Failure to use or sell any of the proprietary food items to the exclusion of those of any competitors and the failure to perform all of the services required by Franchisor, including but not limited to the forwarding of copies of all health or sanitation or other regulatory agency reports to Franchisor immediately upon receipt thereof;

M. Failure to open Franchisee's Store at the location designated by Franchisee within the time specified in the lease or sublease;

N. Except as otherwise provided herein, failure by Franchisee to purchase Franchisee's entire requirement of any of the proprietary food items either from Franchisor or from sources of supply designated by Franchisor and to sell the same to the consuming public using Franchisee's best efforts;

O. Failure to correct any local, state or municipal healthy or sanitation law or code violation within twenty-four (24) hours after being cited for such violation; or

P. Sale of any proprietary food items to other than the retail customer (ultimate consumer), without Franchisor's prior consent.

17.2 To terminate Franchisee for default of this Agreement pursuant to Section 17.1 above, Franchisor shall first provide Franchisee with written notice of termination, which notice shall specify the reason for and the Effective Date of Termination. This Agreement shall terminate on the date specified in the notice, which shall not be less than thirty (30) days from the date of the notice (or such longer period as provided by State law), unless:

A. Franchisee cures the default or reason for termination during the notice period;

B. Franchisee has in good faith initiated a cure of the default or reason for termination within the notice period, and such default or reason cannot be completely cured during the notice period because of factors reasonably beyond the exclusive control of Franchisee, in which event Franchisor, by notice, shall permit Franchisee a reasonable opportunity, in light of such factors, to effect a complete cure; or

C. The provisions of Subsection 17.2 A and B notwithstanding, this Agreement shall nonetheless terminate if: (i) the default or reason for termination has been set forth in two (2) prior notices of termination within any prior twelve (12) month period; or (ii) two (2) or more health code violations have been committed within any prior twelve (12) month period; or (iii) Franchisee is terminated as a result of under-reporting Gross Sales by two percent (2%) or more.

17.3 Subject to Federal and state laws, upon written notice to Franchisee, Franchisor may, without right to cure, immediately terminate this Agreement if any of the following events of default occur:

A. Any action by Franchisee, any of Franchisee's partners, if Franchisee is a partnership, or any of its officers, directors or stockholders, if Franchisee is a corporation, which results in:

(i) An affirmative act of insolvency;

(ii) An assignment for the benefit of creditors; or

(iii) The filing of a petition under any bankruptcy, reorganization, insolvency, or moratorium law, or any law for the relief of, or relating to, debtors, except with respect to any relief permitted under the Federal Bankruptcy Code.

B. The filing of any involuntary petition under any bankruptcy statute against Franchisee, any of its partners, or any of its stockholders owning at least twenty-five (25%) percent of any class of stock, or the appointment of any receiver or trustee to take possession of property of Franchisee, any of its partners, or any of its stockholders owning at least twenty-five (25%) percent of any class of stock of Franchisee;

C. Failure by Franchisee to satisfy fully a civil judgment obtained against Franchisee for a period of more than thirty (30) days after all rights of appeal have been exhausted, or execution of such a judgment, execution of a lien, or foreclosure by a secured party or mortgage against Franchisee's property, which judgment, execution of a lien, or foreclosure by a secured party or mortgage would have an adverse or detrimental effect upon Franchisee's franchised operation;

D. Conviction of Franchisee, or any partner of Franchisee, or any officer, director, or stockholder owning at least twenty-five (25%) percent of any class of stock of Franchisee, or the manager of Franchisee's franchise, of any crime which in the opinion of Franchisor would adversely affect the goodwill or interest of Franchisee or Franchisee's Store;

E. The uncured default by Franchisee under any lease or sublease of Franchisee's Store which could possibly result in the loss by Franchisee of the right to possess for any reason whatsoever;

F. A final judgment or the unappealed decision of a court, regulatory officer, agency, or quasi-regulatory agency that results in the temporary or permanent suspensions or revocation of any permits or licenses, possession of which is a prerequisite to the operation of Franchisee's business or is required under applicable law;

G. The direct or indirect assignment, transfer, sale or encumbrance by Franchisee of this Agreement or franchise or any of Franchisee's rights or privileges contrary to this Agreement, or any attempt by Franchisee to sell, assign, transfer or encumber the Store contrary to the terms of this Agreement;

H. Failure by Franchisee to remain open for business as required by this Agreement or as may be required by the Confidential Operating Manual, as may be limited by local law or the prime landlord, or the abandonment or vacating by Franchisee of Franchisee's Store or for three (3) or more consecutive days (or for such other period as would be grounds for termination of Franchisee's sublease); or

I. Dissolution, judicial or otherwise, or liquidation of Franchisee, if Franchisee is a corporation or partnership.

J. Three (3) violations of the Franchise Agreement in any twelve (12) month period, regardless of whether or not cured. This provision may be extended in some instances by Franchisor depending on the severity of the violation and the immediacy of the cure.

ARTICLE XVIII
RIGHTS AND DUTIES OF THE PARTIES
UPON EXPIRATION OR TERMINATION

18.1 For the purpose of this Agreement, the "Effective Date of Termination" shall be the date indicated in any notice of termination sent pursuant to Section 17.2 or 17.3 of this Agreement or the day after the Initial Term, as set forth in Section 4.1 of this Agreement.

18.2 Upon the Effective Date of Termination or expiration, Franchisee shall no longer be an authorized franchisee, and Franchisee shall pay all sums of money due Franchisor or any of its subsidiary or affiliated corporations within fifteen (15) days of the Effective Date of Termination, unless Franchisor gives written notice of an extension of this period.

18.3 Upon the Effective Date of Termination or expiration, Franchisee shall discontinue the use of all Marks owned by or associated with Franchisor and all similar names and marks, or any other designation or mark associating Franchisee with the System. If Franchisee is a corporation or partnership and, notwithstanding the prohibition of utilizing the "Churned Creamery" name in its corporate or partnership name, has used the "Churned Creamery" name or any names, marks or designations that associate Franchisee with Franchisor in its corporate or partnership name, Franchisee shall, within fifteen (15) days of the Effective Date of Termination, take all necessary steps to eliminate "Churned Creamery" from its corporate or partnership name, at Franchisee's own cost and expense.

18.4 Upon the Effective Date of Termination or expiration, Franchisee shall cease displaying and using all signs, stationery, letterheads, forms, manuals, printed matter, advertising, and other material containing the Marks, "Churned Creamery" or any other names, marks, or designations that associate Franchisee with the System.

18.5 After the Effective Date of Termination or expiration, Franchisee shall not take any action indicating or implying that Franchisee is an authorized franchisee.

18.6 Franchisee shall maintain all financial records and reports required pursuant to this Agreement or the Confidential Operations Manual for a period of not less than three (3) years after the Effective Date of Termination. Franchisee shall permit Franchisor to make final inspection of Franchisee's financial records, books, tax returns, and other accounting records at any time in the three (3) year period following the Effective Date of Termination.

18.7 Upon the Effective Date of Termination or expiration, Franchisee shall, pursuant to the lease or sublease or conditional lease assignment and upon demand of Franchisor, vacate and surrender the Store premises in accordance with the terms and conditions under the terms of the lease, sublease and/or conditional lease assignment. . If the premises are being retained by Franchisee (and Franchisor does not exercise its right to the premises), then Franchisee must complexly de-identify the premises at Franchisee's cost, within 30 days, to de-identify it from the Churned Creamery look inside and out, include re-paining in different colors, removing/returning to Franchisor the proprietary menu boards, and changing the complete look of the interior colors and décor, and removal of all Churned Creamery signs and logos, inside and out. Franchisee need not remove or change the interior fixtures however there must be no resemblance whatsoever to the Churned Creamery look. Franchisee's new name may not resemble Churned Creamery in any manner, including no use of "Churned barrel" type of logo, or a similar color scheme or design as used in the Churned Creamery Stores or on its cups or menus or the Churned Creamery website. All future products sold by Franchisee in its de-identified Store must not be the same or similar to existing Churned Creamery products, names, pictures, or recipes. Franchisee shall not use any photos ever used in the Churned Creamery Stores on in the Churned Creamery website. Should Franchisee abandon the premises and Franchisor does not choose to take over the premises, Franchisee must remove the Churned Creamery outside signs, at Franchisee's cost within 30 days of termination or expiration. Should Franchisee fail to do so Franchisor is authorized (but not obligated to) take such action and invoice Franchisee for the cost.

18.8 Upon the Effective Date of Termination or expiration, Franchisee shall cease all use of telephone numbers, social media and any online presence used by Franchisee while conducting business as a "Churned Creamery" franchise and shall promptly execute such documents or take such steps necessary to remove Franchisee's listing as a "Churned Creamery" franchise from all telephone directories, social media, any online presence, and all other trade or other business directories.

18.9 Within fifteen (15) days from the Effective Date of Termination or expiration of this Agreement, Franchisee shall immediately turn over to Franchisor all manuals, including the Confidential Operations Manual, records, files, instructions, recipes, menus, menu boards, all electronic media and other electronic files obtained from Franchisor, all photographs of products, all branded paper inventory, and all proprietary menu inventory, which Franchisor may choose to purchase from Franchisee at Franchisee's cost, at Franchisor's sole discretion. Franchisee must further turn over all correspondence, and any and all materials relating to the operation of the Franchised Business in Franchisee's possession, and all copies of such written materials (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except only Franchisee's copy of this Agreement, and of any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law and the records described in Section 18.6 above.

18.10 If Franchisor notifies Franchisee of its intent to do so within ten (10) days after the Effective Date of Termination or expiration, Franchisor shall have the right (but not the duty) to purchase any or all of the signs, advertising material, supplies, equipment and any items bearing Franchisor's Marks at Franchisee's cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, each party shall designate an independent qualified appraiser, and their joint determination shall be binding on both parties. If these appraisers are unable to agree upon a fair market value, they will designate a third, approved appraiser whose determination shall be binding upon both parties. If Franchisor elects to exercise its option to purchase, it shall have the right to set off all amounts due from Franchisee under this Agreement, and the cost of the appraisal, if any, against any payment therefor.

18.11 Franchisee shall immediately comply with all provisions of Exhibit E hereto, Confidentiality and Non-Competition Agreement.

18.12 No right or remedy conferred upon or reserved to Franchisor in this Agreement is exclusive of any other right or remedy contained in this Agreement, or provided or permitted by law or equity, but each shall be cumulative of every other right or remedy.

18.13 Nothing contained in this Agreement shall be deemed to relieve Franchisee of any obligations or responsibilities or liabilities incurred by Franchisee during the term of this Agreement or any renewal term, or Franchisee's lease or sublease and which obligations, responsibilities or liabilities shall survive the termination, expiration or non-renewal of this Agreement, Franchisee's lease or sublease.

ARTICLE XIX
COMMENCEMENT AND HOURS OF OPERATIONS

Franchisee recognizes that continuous and daily availability of any of the proprietary food items and Products to the public is essential to the adequate promotion of Franchisee's Store, and that any failure to provide such availability affects Franchisor both locally and nationally. Franchisee shall make Franchisee or Franchisee's trained manager personally available to provide the Products to the consuming public at a minimum of ten (10) hours per day (9 hours on Sundays), seven (7) days per week, or as required by any lease or sublease if different, except where prohibited or otherwise regulated by a governmental authority, including any state or local licensing authority, and shall otherwise conduct the business in accordance with generally accepted business standards. These requirements may be changed by Franchisor from time to time and upon reasonable notice to Franchisee and may differ from one franchisee to another, based upon the specific characteristics of a particular location.

ARTICLE XX
TRANSFERABILITY OF INTEREST

20.1 Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee, and that neither this Agreement nor the franchise granted shall be assignable or transferable by Franchisee, nor may the same be mortgaged, pledged or encumbered by him without the express prior written consent of Franchisor. Any purported assignment, mortgage, pledge or encumbrance of any rights under this Agreement or the franchise, without the prior written consent of Franchisor, shall be null and void. Franchisor's consent will not be unreasonably withheld. Failure of Franchisee to comply with section 20.2 will NOT constitute "unreasonable" withholding of consent. The issuance or transfer of any stock (including by way of any public stock offering) or partnership interest(s) in Franchisee, or its merger, a consolidation or dissolution, if Franchisee is a corporation or a partnership, shall be deemed an assignment of this Agreement and of the franchise.

20.2 If Franchisee is an individual, Franchisor hereby consents, upon thirty (30) days' prior written notice, to the assignment by Franchisee of all of Franchisee's rights and benefits under this Agreement to a corporation of which Franchisee owns at least a majority of the voting and equity stock, provided that:

A. Such corporation is newly organized and its activities and corporate purposes are confined exclusively to acting as a store franchised under this Agreement;

B. Such corporation and all of its stockholders execute a Transfer of Franchise to a Corporation form, or such other form as shall be provided or approved by Franchisor, in which they jointly and severally assume all of the past and future obligations of Franchisee under this Agreement, to the same extent as if they had originally executed this Agreement as Franchisee;

C. Franchisee or Franchisee's designated manager actively manages such corporation and continues to devote Franchisee's best efforts and full and exclusive time to the day-to-day operation and development of the franchise and the business of the Store and Franchisee shall remain personally liable in all respects under this Agreement, including but not limited to payment for the purchase of any of the Products, jointly and severally with such corporation and any and all other stockholders thereof; and

D. All stock certificates of such corporation bear a legend substantially in the following form, which shall be printed legibly and conspicuously on the front of each such stock certificate:

"The transfer of this stock certificate is subject to the terms and conditions of a certain Franchise Agreement entered into with Churned Creamery International, Inc. dated ___________, 20__".

20.3 If Franchisee, any stockholder or partner of a corporate or partnership Franchisee, or any legal heir or legatee of any deceased Franchisee, or of any deceased stockholder or partner of any corporate or partnership Franchisee, desires to effect any sale or assignment of any partnership interest, stock or other interest in this Agreement, or of Franchisor's rights and benefits under this Agreement, including, without limitation, the franchise granted by this Agreement, and/or the ownership or sublease for the Store franchised by this Agreement, Franchisee or such other authorized person or party shall give Franchisor written notice of all of the terms of any such bona fide offer within fifteen (15) days after receipt of such offer, and providing Franchisor with all other documents and data required prior to Franchisor approving the sale. If the proposed sale constitutes 100% of the Franchisee ownership, Franchisor shall have the right of first refusal, for a period of fifteen (15) days after receipt of such notice, to notify Franchisee or such other authorized person or party of Franchisee's desire to exercise such option under the same terms and conditions as the bona fide offer. If Franchisor fails to exercise such option in the time period allotted, then Franchisee shall be free to contract with the person who made such bona fide offer solely on the same terms and conditions, subject to Franchisee's compliance with all of the other terms and provisions of this Agreement. In the event the terms of such bona fide offer change at any time, then at the time of any change, Franchisee must re-offer the franchise to Franchisor for an additional fifteen (15) day period.

20.4 In addition to all of the other conditions set forth in Sections 20.2 and 20.3 above that pertain to the right of Franchisee to assign, transfer or sell the license created hereunder, Franchisee agrees that any and all rights of assignment, transfer or sale by Franchisee of this franchise and the its rights are conditioned upon compliance with each of the following:

A. Any such assignment, transfer, or sale shall be subject to the approval by Franchisor of such assignee, and of the moral and credit background of such assignee and any and all stockholders or partners of assignee, which approval shall not be unreasonably withheld;

B. The assignee, transferee, or purchaser, and all stockholders or partners thereof, if same is a corporation or partnership, shall execute the then-current Franchise Agreement.

C. Franchisee, such assignee, transferee or purchaser and any and all stockholders or partners thereof, shall execute a general release in favor of Franchisor, its officers, directors, and employees, of any and all claims and causes of action that they may have against Franchisor or its subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance under this Agreement by Franchisor;

D. All prior obligations and debts of Franchisee or corporate assignee of Franchisee owed to Franchisor under or in connection with this Agreement shall be paid concurrently with such assignment;

E. Franchisee must not be in default under this Agreement or any renewals of this Agreement or of any lease or sublease agreement to which Franchisee is a party;

F. Assignee, transferee or purchaser shall not be in the same business as Franchisor either as a franchisor, licensor, independent operator or franchisee of any chain or network which is similar in nature or in competition with Franchisor except that the assignee, transferee or purchaser may be an existing franchisee of Franchisor;

G. Prior to the effective date of the assignment, transfer or sale, the assignee, transferee, or purchaser must satisfactorily complete Franchisor's training program required of all new franchisees;

H. Assignee, transferee, or purchaser shall, prior to any such assignment, pay to Franchisor a non-refundable training and transfer fee equal to Twenty Thousand Dollars ($20,000) to reimburse Franchisor for its legal and accounting fees, credit investigation, training expenses, and other charges and expenses in connection with such assignment, transfer or sale; and

I. Franchisee shall enter into an agreement with Franchisor agreeing to subordinate such assignee's, transferee's or purchaser's obligations to Franchisor, including, without limitation, any Royalty Fees and Advertising Fees, and any obligations of such assignee, transferee or purchaser to make installment payments of the purchase price to Franchisee.

20.5 Franchisor shall have the right, without the need for Franchisee's consent, to assign, transfer or sell its rights under this Agreement to any person, partnership, corporation or other legal entity, provided that the transferee agrees in writing to assume all obligations undertaken by Franchisor in this Agreement and Franchisee receives a statement from both Franchisor and its transferee to that effect. Upon such assignment and assumption, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. Franchisee further agrees and affirms that Franchisor may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Marks (or any variation thereof) and System and/or the loss of association with or identification of Churned Creamery International, Inc. as Franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

Franchisee acknowledges and agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business, regardless of the location of that chain's or business's facilities, and to operate, franchise or license those businesses and/or facilities as Churned Creamery Stores operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which Franchisee acknowledges may be near to any of Franchisee's locations.

Nothing in this Agreement shall be deemed to continue franchising Churned Creamery Stores, any action by Franchisor not to renew its application to sell franchises in any state as required, nor any delay in renewing such applications, shall not be a default of this Agreement.

20.6 In addition to the requirements of this Article, Franchisee must, within fifteen (15) days of receipt of an offer to buy, give Franchisor additional written notice whenever Franchisee has received an offer from a third party to buy Franchisee's business franchised under this Agreement. Franchisee must also give Franchisor written notice simultaneously with any offer to sell Franchisee's Store made by, for, or on behalf of Franchisee. The purpose of this Subsection is to enable Franchisor to comply with any applicable state or federal franchise disclosure law or rules. Franchisee will indemnify and hold Franchisor harmless for Franchisee's failure to comply with this Subsection.

20.7 Franchisor's consent to an assignment of any interest subject to the restrictions of this Agreement shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms or conditions of this Agreement by the assignee, transferee or purchaser.

20.8 If, subject to the restrictions and conditions of transfer contained in this Article, Franchisee shall attempt to raise or secure funds by the sale of securities (including, without limitation, common or preferred stock, bonds, debentures or general or limited partnership interests) in Franchisee or any affiliates of Franchisee, Franchisee, recognizing that the written information used with respect thereto may reflect upon Franchisor, will submit any such written information to Franchisor prior to its inclusion in any registration statement, prospectus or similar offering circular or memorandum and will obtain the written consent of Franchisor to the method of financing prior to any offering or sale of such securities. For each proposed offering, Franchisee shall pay Franchisor a non-refundable fee in an amount equal to Five Thousand Dollars ($5,000) in order to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. The written consent of Franchisor pursuant to this Section 20.8 shall not imply or constitute the approval of Franchisor with respect to the method of financing, the offering literature submitted to Franchisor or any other aspect of the offering. No information respecting Franchisor or any of its affiliates shall be included in any securities disclosure document, unless such information has been furnished by Franchisor, in writing, pursuant to the written request of Franchisee, in which Franchisee states the specific purpose for which the information is to be used. Should Franchisor, in its sole discretion, object to any reference to Franchisor or any of its affiliates or any of their businesses in such offering literature or prospectus, such literature or prospectus shall not be used unless and until the objections of Franchisor are withdrawn. Franchisor assumes no responsibility for any offering.

The prospectus or other literature utilized in any such offering shall contain the following language in bold-face type on the first textual page thereof:

> **"NEITHER CHURNED CREAMERY INTERNATIONAL, INC. NOR ANY OF ITS AFFILIATES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH HEREIN, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER CHURNED CREAMERY INTERNATIONAL, INC. NOR ANY OF ITS AFFILIATES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING."**

Franchisee and each of its owners agrees to indemnify, defend and hold harmless Franchisor and its affiliates, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred in the defense of such claims, demands or liabilities, arising from the offer or sale of such securities, whether asserted by a purchaser of any such security or by a governmental agency. Franchisor shall have the right (but not the obligation) to defend any such claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or any of its affiliates or any of their respective officers, directors, employees or agents is named as a party.

ARTICLE XXI
DEATH OR INCAPACITY OF FRANCHISEE

21.1 In the event of the death or permanent incapacity or disability of Franchisee, i.e., Franchisee is unable to operate the Store as an individual franchisee, or any partner of a Franchisee which is a partnership, or any shareholder owning fifty percent (50%) or more of the capital stock of a Franchisee which is a corporation, Franchisor shall consent to a transfer of that Franchisee's interest to Franchisee's heirs, beneficiaries or family designees (referred to in this Article as "Transferee") without payment of a transfer fee, subject to the following conditions:

A. Transferee must complete, and be approved through, Franchisor's standard franchise selection process, including satisfactorily demonstrating to Franchisor that Transferee meets the financial character and managerial criteria as Franchisor shall then be applying in considering applications for new franchisees;

B. Transferee shall agree, in writing, to personally assume liability for and to perform all the terms and conditions of this Agreement to the same extent as the original Franchisee; and

C. If Transferee is not approved, Franchisee or Franchisee's legal representative shall use that person's best efforts to sell the Store to a party acceptable to Franchisor within twelve (12) months from the date of Franchisee's death or permanent incapacity or disability and Franchisor shall have the option, but not the obligation, to operate and/or manage the Store for the account of Franchisee's estate until the deceased or incapacitated Franchisee's interest is transferred to another party acceptable to Franchisor. Notwithstanding the above, the period during which the Franchisor is operating the Franchisee's business will not exceed 120 days, unless circumstances require continued operation by Franchisor in order to allow Franchisee's estate or family to ascertain a substitute Franchisee, and in such situation, the period will not exceed 1 year. Should Franchisor elect to operate and/or manage the franchised Store, Franchisor shall make a complete accounting and shall forward fifty percent (50%) of the net income for the operation of the Store to Franchisee's estate. If the conveyance of the Store to a party acceptable to Franchisor has not taken place within the twelve (12) month period, Franchisor shall have the option, but not the duty, to purchase the Store and its equipment at the fair market value thereof as determined by independent qualified appraisers selected by Franchisor and the estate. In the event that these appraisers cannot agree on a fair market value, a third appraiser shall be selected by the other two appraisers and that appraiser's determination shall be binding on both parties. However, if Franchisor chooses not to repurchase the Store, then it may elect to terminate this Agreement, in which event the business franchised under this Agreement will automatically revert back to Franchisor, with Franchisor being obligated to purchase the equipment and trade fixtures at their book value, as set forth in the last certified financial statement of Franchisee.

ARTICLE XXII
OPERATION IN THE EVENT OF ABSENCE OR DISABILITY

In order to prevent any interruption of the Store operations which would cause harm to the Store, thereby depreciating its value, if Franchisee is absent for any reason or is incapacitated by reason of illness and is unable, in the sole and reasonable judgment of Franchisor, to operate the Store, Franchisee authorizes Franchisor, who may, at its option, operate the Store for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. Notwithstanding the above, the period during which the Franchisor is operating the Franchisee's business will not exceed 120 days, unless circumstances require continued operation by Franchisor in order to allow Franchisee's estate or family to ascertain a substitute Franchisee, and in such situation, the period will not exceed 1 year. All monies from the operation of the Store during such period of operation by Franchisor shall be kept in a separate account, the expenses of the Store, including reasonable compensation and expenses for Franchisor's representative, shall be charged to that account. If, as provided in this Article, Franchisor temporarily operates the Store for Franchisee, Franchisee will indemnify and hold harmless Franchisor and any representative of Franchisor who may act under this Agreement, from any and all acts which Franchisor may perform, as regards the interests of Franchisee or third parties.

ARTICLE XXIII
INJUNCTIVE RELIEF

23.1 If Franchisee is in default, except for default with respect to monies required to be paid by Franchisee to Franchisor, under any provisions of this Agreement, Franchisor shall be entitled, at Franchisor's discretion when appropriate and necessary, to seek a permanent injunction and any preliminary or temporary equitable relief in order to restrain the violation of this Agreement by Franchisee or any person acting for Franchisee or in Franchisee's behalf. Franchisor shall be entitled to its reasonable attorneys' fees and courts costs in connection with taking such action or in connection with any other remedy sought by Franchisor, provided Franchisor is the prevailing party. This remedy shall be cumulative to any other remedy available to Franchisor.

23.2 Franchisee agrees that it may be impossible to measure in money the damages which Franchisor will sustain in the event of Franchisee's breach of this Agreement and, therefore, in the event Franchisor institutes injunctive proceedings under this Article, Franchisee waives the defense that Franchisor has an adequate remedy at law.

ARTICLE XXIV
RISK OF OPERATIONS

FRANCHISEE RECOGNIZES THAT THERE ARE MANY UNCERTAINTIES AND RISKS OF THIS BUSINESS, AND, THEREFORE, FRANCHISEE AGREES AND ACKNOWLEDGES THAT, EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, NO REPRESENTATIONS, WARRANTIES, GUARANTEES OR AGREEMENTS HAVE BEEN MADE TO FRANCHISEE, EITHER BY FRANCHISOR OR BY ANYONE ACTING ON ITS BEHALF OR PURPORTING TO REPRESENT IT, INCLUDING, BUT NOT LIMITED TO, THE PROSPECTS FOR SUCCESSFUL OPERATIONS, THE LEVEL OF BUSINESS OR PROFITS THAT FRANCHISEE MIGHT REASONABLY EXPECT, OR THE DESIRABILITY, PROFITABILITY OR EXPECTED CUSTOMER VOLUME OF THE STORE. FRANCHISEE HEREBY ACKNOWLEDGES THAT ALL SUCH FACTORS ARE NECESSARILY DEPENDENT UPON VARIABLES WHICH ARE BEYOND FRANCHISOR'S CONTROL, INCLUDING, WITHOUT LIMITATION, THE ABILITY, MOTIVATION, AMOUNT AND QUALITY OF EFFORT EXPENDED BY FRANCHISEE. FRANCHISEE RELEASES FRANCHISOR, ITS SUBSIDIARY OR AFFILIATED CORPORATIONS, OFFICERS, DIRECTORS, AFFILIATES AND EMPLOYEES FROM ANY CLAIMS, SUITS AND LIABILITY RELATING TO THE OPERATION OF FRANCHISEE'S STORE INCLUDING, BUT NOT LIMITED TO, THE RESULTS OF ITS OPERATIONS

ARTICLE XXV
OTHER OBLIGATIONS

Nothing contained in this Agreement shall inhibit or limit the unrestricted right of Franchisor to enter into or engage in any business or in the sale itself, or the licensing to others for the sale, of the proprietary food items other than the limitations imposed upon Franchisor by Article I above; Franchisee shall have no rights, benefits or entitlement with respect thereto.

ARTICLE XXVI
FORCE MAJEURE

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limitation, the generality of the foregoing acts or omission of other party, acts of civil or military authority, strikes, lockouts, embargoes, insurrections or acts of God, inability of Franchisor to purchase, deliver and/or manufacture of any of the proprietary food items, provided that inability of a party to obtain funds shall be deemed to be a cause within the control of such party. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay.

ARTICLE XXVII
WAIVER OF VIOLATION OR DEFAULT

Waiver by Franchisor of any violation or default hereunder shall not alter or impair Franchisor's right with respect to any subsequent violation or default, nor shall any delay or omission on the part of Franchisor to exercise any right arising from such violation of default alter or impair Franchisor's rights as to the same or any future violation or default. An acceptance by Franchisor of any payment from Franchisee after the date on which such payment is due shall not operate as a waiver of Franchisee's default or violation hereunder, nor alter or impair Franchisor's rights with respect to such violation or default.

ARTICLE XXVIII
NOTICE AND TIME

28.1 All communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when delivered personally or by fax transmission, or one (1) business day after being sent by overnight commercial courier service for next business day delivery, or five (5) days after being deposited in the United States mail, for certified or registered delivery, return receipt requested, postage prepaid. Notice to Franchisor shall be addressed to:

Notices to Franchisor:

Churned Creamery International, Inc.
1295 South Lewis Street,
Anaheim, CA 92805
Attention: President

Notice to Franchisee shall be addressed to the Store address., or such other address as requested by Franchisee.

Either party may designate another address at any time by written notice to the other. Additionally, all payments and reports, required to be made, by Franchisee under this Agreement shall be given to Franchisor at the above address, except that regular reports may be sent by regular mail.

28.2 Time is of the essence in this Agreement with respect to each and every provision in which time is a factor. Whenever this Agreement refers to a period of days, the first day to be counted shall be the first day following the designated action or event. For any period of five (5) or fewer days, only business days (excluding Saturdays, Sundays and national holidays) shall be counted. Unless expressly stated otherwise, any period longer than five (5) days shall be measured by calendar days, except that if the last day of any such period is not a business day, the period shall automatically be extended to the next business day.

ARTICLE XXIX

APPLICABLE LAW AND VENUE

29.1 This Agreement takes effect upon its acceptance and execution by Franchisor in California, and except as provided below, shall be interpreted and construed under the laws of California, which laws shall prevail in the event of any conflict of law. Notwithstanding the above, the post term restrictions against competition in this Agreement and in Exhibit E (Confidentiality and Non-Competition Agreement), shall be governed by the laws of the State where the Churned Creamery Store is located.

29.2 No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

29.3 Nothing contained in this Agreement shall bar Franchisor's right to seek injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

29.4 Franchisee acknowledges that Franchisee has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the State of California, where Franchisor's decision-making authority is vested and franchise operations are conducted and supervised. Therefore, the parties irrevocably agree and consent that in any action or proceeding brought by either party to this Agreement, each will submit to the exclusive jurisdiction and venue of any local, state or federal court located in ~~Los Angeles~~ Orange County, California.

29.5 The parties agree to waive, now and forever, any and all rights either may have under the federal RICO statute.

29.6 The parties waive to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other, and agree that in the event of a dispute between them, each shall be limited to the recovery of any actual damages sustained by it. The parties irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of them.

29.7 Franchisee agrees that he will not, on grounds of the alleged non-performance by Franchisor of any of its obligations under this Agreement, withhold payment of any Royalty Fee, advertising contributions or any other amounts due to Franchisor.

ARTICLE XXX
ARBITRATION

30.1 IF ANY PARTY IS REQUIRED TO EMPLOY LEGAL COUNSEL OR TO INCUR OTHER REASONABLE EXPENSES TO ENFORCE ANY OBLIGATION OF ANOTHER PARTY, OR TO DEFEND AGAINST ANY CLAIM, DEMAND, ACTION, OR PROCEEDING BY REASON OF ANOTHER PARTY'S FAILURE TO PERFORM ANY OBLIGATION IMPOSED UPON SUCH PARTY BY THIS AGREEMENT, THEN THE PREVAILING PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY THE AMOUNT OF ALL REASONABLE ATTORNEYS' FEES OF SUCH COUNSEL AND ALL OTHER EXPENSES REASONABLY INCURRED IN ENFORCING SUCH OBLIGATION OR IN DEFENDING AGAINST SUCH CLAIM, DEMAND, ACTION, OR PROCEEDING, WHETHER INCURRED PRIOR TO OR IN

PREPARATION FOR OR CONTEMPLATION OF THE FILING OF SUCH ACTION OR THEREAFTER.

30.2 EXCEPT AS SPECIFICALLY OTHERWISE PROVIDED IN THIS AGREEMENT, THE PARTIES AGREE THAT ALL CONTRACT DISPUTES THAT CANNOT BE AMICABLY SETTLED BETWEEN THEM SHALL BE DETERMINED SOLELY AND EXCLUSIVELY BY ARBITRATION IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION ARBITRATION SHALL TAKE PLACE IN ORANGE COUNTY, CALIFORNIA, BEFORE A SINGLE ARBITRATOR.

30.3 JUDGMENT UPON ANY AWARD OF THE ARBITRATORS SHALL BE BINDING AND SHALL BE ENTERED IN A COURT OF COMPETENT JURISDICTION. THE AWARD OF THE ARBITRATOR SHALL INCLUDE THE COSTS OF ARBITRATION, INCLUDING ARBITRATORS COMPENSATION AND REASONABLE ATTORNEYS' FEES.

30.4 NOTHING CONTAINED IN THIS AGREEMENT SHALL BAR EITHER PARTY FROM SEEKING AND OBTAINING TEMPORARY AND PERMANENT INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION CONSISTENT WITH THIS ARTICLE XXX IN ACCORDANCE WITH APPLICABLE LAW AGAINST THREATENED CONDUCT THAT WILL, IN SUCH PARTY'S DISCRETION, CAUSE SUCH PARTY LOSS OR DAMAGE.

30.5 THE PARTIES INTEND THAT ANY ARBITRATION BETWEEN FRANCHISEE AND FRANCHISOR REGARDING A CLAIM OF FRANCHISEE SHALL BE OF FRANCHISEE'S INDIVIDUAL CLAIM, AND THAT NO SUCH CLAIM SUBJECT TO ARBITRATION SHALL BE ARBITRATED ON A CLASS-WIDE BASIS.

LIMITATION ON TIME TO BRING ACTION

30.6 FRANCHISEE SHALL NOT ASSERT ANY CLAIM OR CAUSE OF ACTION AGAINST FRANCHISOR, ITS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES OR AFFILIATES AFTER ONE (1) YEAR FOLLOWING THE EVENT GIVING RISE TO SUCH CLAIM OR CAUSE OF ACTION.

ARTICLE XXXI
ACKNOWLEDGMENTS

31.1 FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISED BUSINESS, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS, AND THAT FRANCHISEE'S SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

31.2 FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED, READ, AND UNDERSTOOD THIS AGREEMENT, INCLUDING ITS EXHIBITS; THAT FRANCHISOR HAS FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF EACH TO FRANCHISEE'S SATISFACTION; AND THAT FRANCHISOR HAS ACCORDED FRANCHISEE AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF FRANCHISEE'S OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT.

31.3 FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED A COMPLETE COPY OF FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENTS, THIS AGREEMENT, THE EXHIBITS REFERRED TO IN THIS AGREEMENT, AND ANY OTHER AGREEMENTS RELATING HERETO, IF ANY, AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED.

31.4 FRANCHISEE ACKNOWLEDGES AND IS AWARE OF THE FACT THAT SOME FRANCHISEES OF FRANCHISOR MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND, CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS IN RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

ARTICLE XXXII
ENTIRE AGREEMENT

This Agreement, together with the Area Development Agreement, if applicable, and any other Franchise Agreements thereunder, constitutes the entire agreement between Franchisor and Franchisee with respect to the subject matter hereof, and this Agreement supersedes all prior and contemporaneous agreements between Franchisor and Franchisee in connection with its subject matter. In the event of any conflict between the terms of this Agreement and the terms of the Area Development Agreement, if applicable, or any other Franchise Agreement, the terms of this Agreement shall prevail. No officer, employee or other servant or agent of Franchisor or Franchisee is authorized to make any representation, warranty or other promise not contained in this Agreement. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding upon Franchisor or Franchisee unless in writing and signed by Franchisor and Franchisee. Nothing in this or in any related agreement, however, is intended to disclaim Franchisor's representations made in the franchise disclosure document furnished to Franchisee.

ARTICLE XXXIII
JOINT AND SEVERAL OBLIGATION

If Franchisee consists of more than one (1) person, their liability under this Agreement shall be deemed to be joint and several.

ARTICLE XXXIV
SECURITY INTEREST

Franchisee grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Store, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisor's security interest will be subject to any purchase money security interest on the assets. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code. For such purposes, the address of Franchisee and Franchisor are set forth in Article XXVIII of this

Agreement. If Franchisee is in good standing, Franchisor will, upon request, execute subordinations of its security interest to suppliers, lenders and/or lessors furnishing equipment or financing for the Store.

ARTICLE XXXV
COUNTERPART; PARAGRAPH HEADINGS; PRONOUNS

This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. The paragraph headings in this Agreement are for convenience only, and shall not be deemed to alter or affect any of its provisions. Each pronoun used in this Agreement shall be deemed to include the other number ofgenders.

ARTICLE XXXVI
SEVERABILITY AND CONSTRUCTION

36.1 Each section, part, term and provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, that shall not impair the operation of, or affect the remaining portions, parts, terms or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties, and the invalid sections, parts, terms or provisions shall be deemed not to be a part of this Agreement; provided, however, that if Franchisor determines that the finding of illegality adversely affects the basic consideration of this Agreement, Franchisor and Franchisee may terminate this Agreement.

36.2 Anything to the contrary in this Agreement notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity, other than Franchisor or Franchisee and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement.

36.3 Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law, which is subsumed within the terms of any provision hereof as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

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

36.5 This Agreement shall be executed in two or more counterparts, and each copy so executed shall be deemed a duplicate original.

The parties have executed this Agreement on the date first written above. IF THERE IS NO DATE, THE DATE OF THIS AGREEMENT WILL BE THE DATE EXECUTED BY FRANCHISOR BELOW.

FRANCHISOR	FRANCHISEE
By:____________________________	By: ____________________________
Title:__________________________	Title:__________________________
DATE: _________________________	DATE: _________________________

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

EXHIBIT "A"

LOCATION AND TERRITORY

Franchisee's Location and Territory shall be as follows:

FRANCHISOR

By: ______________________________

Title: ______________________________

FRANCHISEE

By: ______________________________
Franchisee

By: ______________________________
Franchisee

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

EXHIBIT "B"

GUARANTEE AGREEMENT

THIS GUARANTEE AGREEMENT ("Guarantee") entered into this ___ day of___________, 20__, by and between Churned Creamery International, Inc., a California corporation ("Secured Party" or "Franchisor") and each of the undersigned persons and their spouses (each a "Guarantor"), being all of the shareholders or members, partners, principals or other owners or controlling persons, as applicable, of the "Franchisee" or "Debtor" (as hereafter defined).

RECITALS:

WHEREAS, Franchisee, ("Franchisee" or "Debtor") has entered into a Franchise Agreement dated____________, 20__ (collectively, the "Franchise Agreement") with the Secured Party;

WHEREAS, Guarantor holds ___% of ownership interest in the Franchisee or other beneficial owner or controlling person, as applicable, in Debtor, or a spouse of such person, and will benefit from the Franchise Agreement;

WHEREAS, the Secured Party is willing to enter the Franchise Agreement with Debtor only if Guarantor agrees to guarantee the full, prompt, complete and faithful performance of all the terms, covenants, conditions and obligation(s) on Debtor's part to be performed under the Franchise Agreement, and all other agreements and instruments ancillary to such agreements, and including any amendments or renewals thereof (the "Documents");

NOW, THEREFORE, in order to induce the Secured Party to enter the Franchise Agreement and the Documents with Debtor and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Guarantor hereby jointly and severally agrees to be bound by the Documents and jointly and severally covenants and agrees with the Secured Party as follows:

ARTICLE I
GUARANTEE

1.1 Guarantor unconditionally guarantees the full, prompt, complete and faithful performance, payment, observance and fulfillment by Debtor of all of the terms, covenants and conditions and any obligation(s) under the Documents when due and any and all fees, royalties and other sums that may become due to the Secured Party from Debtor under the Documents ("Obligation(s)"). Guarantor further agrees to pay all expenses (including reasonable attorneys' fees and legal expenses) incurred by the Secured Party in endeavoring to collect the Obligation(s), or any part thereof, or in securing the performance thereof, or in enforcing this Guarantee.

1.2 Guarantor hereby covenants and agrees unconditionally that in the event Debtor fails to make any payment due under the Obligations on the due date as set forth in the Documents, or an event of default occurs, as defined in the Documents ("Event of Default"), within ten (10) days of the receipt of written notice from or on behalf of the Secured Party to the effect that there exists such an Event of Default and of the amount or nature of the Obligation(s) which Debtor has failed to pay or perform, Guarantor will pay the entire unpaid amount thereof to the Secured Party at its office set forth on the signature page attached hereto. In the event that the Guarantor should fail or decline to pay any sums properly due to the Secured Party hereunder within ten (10) days following the Secured Party's request for the payment of any such sums, then said sums shall bear interest at annual interest rate equal to twelve percent (12%). Further, if Guarantor shall fail to pay any amount or perform any Obligation(s) properly due to the Secured Party hereunder, the Secured Party may institute and pursue any action or proceeding to judgment or final decree and may enforce any such judgment or final decree against Guarantor and collect, in the manner provided by law, out of Guarantor's property, wherever situated, the monies adjudged or decreed to be payable.

1.3 This Guarantee shall not be limited to any particular period of time, but rather shall continue absolutely, unconditionally and irrevocably until all the terms, covenants and conditions of the Documents have been fully and completely performed by Debtor or otherwise discharged and/or released by the Secured Party, and Guarantor shall not be released from any duty, obligation or liability hereunder so long as there is any claim of the Secured Party against Debtor arising out of the Documents which have not been performed, settled or discharged in full.

ARTICLE II
REMEDIES AND RIGHTS OF SECURED PARTY

2.1 The Secured Party shall give Guarantor notice in writing of an Event of Default or any event which might mature into an Event of Default known to Secured Party (but neither failure to give, nor defect in, any notice shall extinguish or in any way affect the Obligation(s) of Guarantor hereunder). Neither demand on, nor the pursuit of any remedies against, Debtor or any other guarantor of the Obligation(s) ("Obligor") shall be required as a condition precedent to, or neither the dependency nor the prior termination of any action, suit or proceeding against the Debtor or any Obligor (whether for the same or a different remedy) shall bar or prejudice the making of a demand on Guarantor by the Secured Party and the commencement against Guarantor after such demand of, any action, suit or proceeding, at law or in equity, for the specific performance of any covenant or agreement contained in the Documents or for the enforcement of any other appropriate legal or equitable remedy.

2.2 Guarantor's liability hereunder is primary, direct and immediate. Guarantor agrees that neither:

(i) The exercise or the failure to exercise by the Secured Party of any rights or remedies conferred on it under the Documents, hereunder or existing at law or otherwise, or against any collateral;

(ii) The recovery of a judgment against Debtor or Obligor;

(iii) The commencement of an action at law or the recovery of a judgment at law against Debtor or any Obligor and the enforcement thereof through levy or execution or otherwise;

(iv) The taking or institution or any other action or proceeding against Debtor or any Obligor; nor

(v) The delay in taking, pursuing or exercising any of the foregoing actions, rights, powers or remedies (even though requested by Guarantor) by the Secured Party shall extinguish or affect the Obligation(s) of Guarantor hereunder, but Guarantor shall be and remain liable for and until all Obligation(s) shall have been fully paid notwithstanding the previous discharge (total or partial) from further liability of Debtor or any Obligor or the existence of any bar (total, partial or temporary) to the pursuit by Guarantor of any right or claim to be subrogated to the right or claims of the Secured Party resulting from any action or failure or omission to act or delay in acting by the Secured Party, or anyone entitled to act in its place.

2.3 In case any of the Guarantor shall become insolvent or admit in writing his, her or its inability to pay his, her or its debts as they mature, or apply for, consent to or acquiesce in the appointment of a trustee, receiver, liquidator, assignee, sequestrator or other similar official for either Guarantor, or any of his, her or its property; or, in the absence of such application, consent or acquiescence, a trustee, receiver, liquidator, assignee, sequestrator or other similar official is appointed for Guarantor, or for a substantial part of his, her or its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy, admiralty or insolvency law or at common law or in equity is instituted by or against Guarantor, or remains for 60 days undismissed, then if any such event shall occur at a time when any of the Obligation(s) may not be then due and payable, Guarantor will pay to the Secured Party forthwith the whole unpaid amount under the Documents and Documents plus any other sums due under the Documents and other Documents, irrespective of whether any demand shall have been made on Guarantor, Debtor or any Obligor by intervention in or initiation of judicial proceedings relative to Guarantor, his, her or its creditors or his, her or its property. The Secured Party may file and prove a claim or claims for the whole unpaid amount or any portion thereof and for any other sums due under the Documents and other Documents and file such other papers or documents as may be necessary or advisable in order to have such claim allowed in such judicial proceedings and to collect and receive any monies or other property payable or deliverable on any such claim, and to distribute the same; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Secured Party.

2.4 The benefits, remedies and rights provided or intended to be provided hereby for the Secured Party are in addition to and without prejudice to any rights, benefits, remedies or security to which the Secured Party might otherwise be entitled.

2.5 Notwithstanding anything mentioned herein to the contrary, the Secured Party, from time to time, without notice to Guarantor, may take all or any of the following actions without in any manner affecting or impairing the liability of Guarantor hereunder:

(i) Obtain a security interest in any property to secure any of the Obligation(s) hereunder;

(ii) Retain or obtain the primary or secondary liability of any party or parties, in addition to Guarantor, with respect to any of the Obligation(s);

(iii) Extend the time for payment of the Documents or any installment thereof for any period;

(iv) Release or compromise any liability of Guarantor hereunder or any liability of any nature of any other party or parties with respect to the Obligation(s);

(v) Resort to Guarantor for payment of any Obligation(s), whether or not the Secured Party shall proceed against any other party primarily or secondarily liable on any of the Obligation(s); or

(vi) Agree to any amendments, modification or alteration of the Documents and exercise its rights to consent to any action or non-action of Debtor which may violate the covenants and agreements contained in the Documents with or without consideration, on such terms and conditions as may be acceptable to it.

2.6 Guarantor agrees that if at any time all or any part of any payment theretofore applied by the Secured Party to any of the Obligation(s) is or must be rescinded or returned by the Secured Party for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of Debtor) such Obligation(s), for purposes of this Guarantee, to the extent that such payment is or must be rescinded or returned, shall be deemed to have continued in existence, notwithstanding such application by the Secured Party, and this Guarantee shall continue to be effective or be reinstated, as the case may be, as to such Obligation(s), all as though such application by the Secured Party had not been made.

ARTICLE III
GUARANTOR'S WARRANTIES

3.1 Guarantor represents and warrants to the Secured Party that:

(i) This Guarantee has been duly executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of Guarantor enforceable against him, her or it in accordance with its terms;

(ii) There is no action, litigation or other proceeding pending or threatened against Guarantor, before any court, arbitrator or administrative agency which may have a materially adverse effect on the assets, businesses, or financial condition of Guarantor, or which would prevent, hinder or jeopardize his, her or its performance under this Guarantee;

(iii) Guarantor is fully familiar with all of the covenants, terms and conditions of the Documents and the Documents;

(iv) The Guarantor is not party to any contract, agreement, indenture or instrument or subject to any restriction which might materially adversely affect his, her or its financial condition which would in any way jeopardize the ability of Guarantor to perform hereunder; and

(v) The Financial Statement of Debtor attached hereto as Exhibit "A" is correct in all material respects and accurately represents the financial condition of Debtor as of ________ ___, 20__.

ARTICLE IV
MISCELLANEOUS PROVISIONS

4.1 All the covenants, stipulations, promises and agreements contained in this Guarantee by or on behalf of Guarantor are for the benefit of the Secured Party, its successors or assigns and shall bind Guarantor and his, her or its heirs, executors, personal representative, successors and assigns.

4.2 Any notice or demand which by any provision of this Guarantee is required or permitted to be given by Secured Party to Guarantor shall be deemed to have been sufficiently given for all purposes if given by first-class mail, postage prepaid, to Guarantor at the address set forth after his, her or its signature below (until another address is filed by Guarantor with Secured Party for such purposes).

4.3 The Secured Party, without notice of any kind, may sell, assign or transfer the Documents, and in such event each and every immediate and successive assignee or transferee thereof may be given the right by the Secured Party to enforce this Guarantee in full, by suit or otherwise, for its own benefit. Guarantor hereby agrees for the benefit of any such assignee or transferee that his, her or its Obligation(s) hereunder shall not be subject to any reduction, abatement, defense, set-off, counterclaim or recoupment for any reason whatsoever.

4.4 Guarantor hereby expressly waives:

(i) Notice of the acceptance by the Secured Party of this Guarantee;

(ii) Notice of the existence, creation or non-payment of all or any of the Obligation(s);

(iii) Presentment, demand, notice or dishonor, protest and all other notices whatsoever; and

(iv) All diligence in collection or protection of or realization on the Obligation(s) or any thereof hereunder, or any security for or guarantee of any of the foregoing.

4.5 No delay on the part of the Secured Party in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Secured Party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Guarantee be binding on the Secured Party except as expressly set forth in writing, duly signed and delivered on behalf of the Secured Party.

4.6 This Guarantee shall in all respects be governed by and construed and enforced in accordance with the laws of the State of California and the parties hereto submit to the non-exclusive jurisdiction of the courts of Orange County, California and all courts competent to hear appeals therefrom.

4.7 Any provision of this Guarantee that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and no such prohibition or unenforceability shall invalidate or render unenforceable such provision in any other jurisdiction.

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

"SECURED PARTY"

FRANCHISOR

By:__________________________________

President

GUARANTORS:

	Spouse:
____________________________	____________________________
Name	Name
____________________________	____________________________
Signature	Signature
____________________________	____________________________
Name	Name
____________________________	____________________________
Signature	Signature

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

EXHIBIT "C"

CONDITIONAL LEASE ASSIGNMENT PROVISIONS

The clauses referred to in Article 2.1 of the attached Franchise Agreement are as follows:

(i) The premises being leased hereunder shall be used solely for the operation of a Churned Creamery Store.

(ii) Lessor has examined Franchisor's standard design concepts and specifications and consents to Lessee's use of same and of Franchisor's Marks and such signage as Franchisor may prescribe for the Store.

(iii) Lessee may not sublease or assign all or any part of its occupancy rights, or extend the term or renew the lease, without Franchisor's prior written consent.

(iv) Lessor shall furnish Franchisor a copy of the executed lease, including all attachments thereto and related agreements, if any, within ten (10) days after its execution, and no change or amendment to such lease affecting the above terms and conditions shall be effective without Franchisor's prior written approval.

(v) Notwithstanding anything to the contrary contained in this Lease, it is expressly understood and agreed that if the Franchise Agreement dated the ___ day of ________________________, 20__ between the Lessee and Franchisor expires or is terminated for any reason whatsoever, the Lessee's rights hereunder shall, at the option of Franchisor, be transferred and assigned to Franchisor. Said option may be exercised by Franchisor giving the Lessor a notice in writing within thirty (30) days following the expiration or termination of the said Franchise Agreement, such notice to specify, inter alia, the date of such expiration or termination. It is further agreed that such notice shall, without further act or formality, operate as an effective assignment of the Lessee's right hereunder to Franchisor and the assumption by Franchisor of the covenants herein required to be observed or performed by the Lessee.

(vi) In the event Franchisor elects not to exercise the above option, Lessor shall permit Franchisor to enter the premises in order to make any modification necessary to protect Franchisor's Marks.

(vii) The Lessor shall give written notice to Franchisor (concurrently with the giving of such notice to the Lessee) of any default by the Lessee under the Lease, and Franchisor shall have, after the expiration of the period during which the Lessee may cure such default, an additional fifteen (15) days to cure, at its sole option, any such default, providing that if such default arises by reason of the bankruptcy or insolvency of the Lessee or the appointment of a receiver over the Lessee's assets or part thereof, Franchisor shall have the right to assume this Lease upon payment of any arrears of rental to such date. In the event of any such assumption, the Lessee shall cease to have any further rights hereunder.

(viii) The Lessor acknowledges that the said Franchise Agreement contains a right on the part of Franchisor, in the event of expiration or termination of the said Franchise Agreement for any reason whatsoever, to enter the premises hereby demised and to operate the Store for the account of the Lessee for a period as set forth in the said Franchise Agreement. The Lessor further acknowledges that such entry by Franchisor shall not constitute an assignment of this Lease, nor a subletting of the premises hereby demised.

(ix) The Lessor acknowledges that Franchisor is executing this Lease solely for the purpose of acknowledging the provisions contained in the foregoing clauses and agrees that such execution by Franchisor shall in no way be construed so as to obligate Franchisor for the performance of any of the terms, conditions, obligations and covenants contained herein, except as specifically set forth in clause (i).

The foregoing provisions shall be incorporated into Franchisee's lease or sublease agreement.

FRANCHISOR

By:____
President

FRANCHISEE

By:____

By: ____

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

EXHIBIT "D"

SITE LOCATION ADDENDUM

Site Location

Churned Creamery International, Inc. ("Franchisor") and Franchisee ("Franchisee) have on this date, ___________, 20__, entered into a certain Franchise Agreement, ("Franchise Agreement") and desire to supplement its terms as set out below. The parties hereto therefore agree as follows:

A. Site Selection

Within 1 year, (365) days after execution of this Addendum, Franchisee shall acquire, by lease or purchase, at Franchisee's expense and subject to Franchisor's approval, as provided in the Franchise Agreement, a location for the franchised business, or the Franchise Agreement may be terminated with no refund to Franchisee, and the territory/area may be re-franchised.

B. Guidelines and Evaluation

In connection with Franchisee's selection of a site for the franchised business, Franchisor shall furnish to Franchisee the following:

1. Counseling and assistance on site selection guidelines as Franchisor may deem advisable.

2. Such on-site evaluation as Franchisor may deem advisable in response to Franchisee's request for site approval; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a market feasibility study for such site prepared by Franchisee pursuant to Paragraph C. hereof. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request), Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals, following Franchisee's approval in advance of same.

C. Site Approval

Prior to the acquisition by lease or purchase of any proposed location for the franchised business, Franchisee shall submit to Franchisor, in the form specified by Franchisor, a description of the proposed location and such other information or materials as Franchisor may reasonably require. Recognizing that time is of the essence, Franchisee agrees that it must submit such information and material for the proposed location to Franchisor for its approval no later than 365 days after the execution of the Franchise Agreement. Franchisor shall have 30 days after receipt of such information and materials from Franchisee to approve or disapprove, at its sole discretion, the proposed location as the location for the franchised business. The proposed location shall not be deemed approved unless written notice of approval is given to Franchisee by Franchisor.

D. Lease Provisions

The lease for the premises of the franchised business shall be submitted to Franchisor for its written approval prior to execution by Franchisee and the Lessor, and shall contain the following terms and conditions:

1. That the premises shall be used only for the operation of the franchised business.

2. That the landlord has examined Franchisor's standard design concepts and consents to Franchisee's use of such Proprietary Marks and signage as Franchisor may prescribe for the franchised business.

3. That the landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the lease and premises, at the same time that such letters and notices are sent to Franchisee.

4. That Franchisee may not sublease or assign all or any part of its occupancy rights, or extend the term or renew the lease, without Franchisor's prior written consent.

5. That Franchisor shall have the right to enter the premises to make any modification necessary to protect Franchisor's Proprietary Marks or to cure any default under the lease or under this Agreement.

6. That Franchisor shall have the option to assume Franchisee's occupancy rights, and the right to assign or sublease for all or any part of the remaining term, upon Franchisee's default or termination under such lease or under this Agreement.

7. That Franchisor shall be furnished a copy of the executed lease, ten (10) days after its execution, and no change or amendment to such lease affecting the above terms and conditions shall be effective without Franchisor's prior written approval.

E. Relocation

Upon Franchisor's approval of a location for the franchised business, or upon execution of this Agreement, whichever occurs earlier, the street address of the approved location of the franchised business shall be recorded and shall be attached as Exhibit "A" to this Agreement. Franchisee shall not relocate the franchised business without the express prior written consent of Franchisor.

F. Construction

Franchisee shall commence construction or leasehold improvements ("Construction") of the franchise business within 180 days after Franchisee executes this addendum, executes a lease, or obtains the right to possession of the premises, whichever occurs latest. Franchisee must use Franchisor's approved contractor for the Construction, or if Franchisee desired to use a different contractor, Franchisee must pay Franchisor a $20,000 construction supervision and project supervision fee, due prior to Franchisee engaging a different contractor for the Construction to compensate Franchisor in having to oversee the project and verify the work is being constructed in accordance with Franchisor's specifications. Franchisee shall provide written notice to Franchisor of the date Construction of the franchised business commences within 15 days after commencement. Franchisee shall maintain continuous Construction of the franchised business premises and shall complete Construction, including all exterior and interior carpentry, electrical, painting and finishing work, and installation of all furnishings, fixtures, equipment, and signs, in accordance with the approved plans and specifications at Franchisee's expense, within 6 months after commencement (exclusive of the time lost by reason of strikes, lockouts, fire and other casualties and acts of God). Each week during the Construction period, Franchisee and Franchisee's architect or general contractor shall certify in writing to Franchisor that all work is proceeding substantially on schedule, and in accordance with the approved plans and specifications and all applicable laws, regulations ordinances and restrictive covenants. Franchisee further agrees that Franchisor and its agents shall have the right to inspect the Construction at all reasonable times. Franchisor is not liable for the Contractor's acts or omissions, except as specifically directed by Franchisor.

G. Permits and Approvals

Before or upon completion of Construction, Franchisee shall obtain, and shall furnish to Franchisor copies of, all necessary permits, approvals, and certificates required for occupancy of the premises and operation of the franchised business. Franchisee shall obtain Franchisor's approval for opening and shall open the franchised business within 12 months after the date of commencement of Construction.

H. Time of Essence

Franchisee and Franchisor agree that time is of the essence in Franchisee's performance of its obligations hereunder. Any failure by Franchisee to meet the time limits imposed under this Addendum shall constitute a default under Section 13.2.A of the Franchise Agreement, for which Franchisor may terminate this Agreement upon notice to Franchisee.

I. Effect of Franchise Agreement

This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum as of the date first written above. If there is no date filled in above, the date shall be the date signed by Franchisor below.

FRANCHISOR	**FRANCHISEE**
By:________________________	________________________
Title: ________________________	________________________
Date: ________________________	________________________

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

EXHIBIT "E"

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

THIS AGREEMENT is made by and between Churned Creamery International, Inc., a California corporation (the "Franchisor"), and________________(the "Franchisee").

WHEREAS, Franchisor has developed an established business and is engaged in the development, marketing and sale to franchisees of an efficient and distinctive system of training employees, preparing, serving, merchandising, and selling products typically sold in a Churned Creamery Store, served by a distinctively uniformed staff, and well trained, in distinctively designed, furnished, decorated and equipped stores under the name Churned Creamery; and

WHEREAS, Franchisor has developed and uses the name "Churned Creamery" and associated service marks, trademarks, designs, and symbols in the design and appearance of its stores (collectively referred to as the "Marks"), identifying the goodwill which Franchisor has developed in connection with the operation of Churned Creamery Stores by Franchisor and its franchisees (all of which is hereinafter referred to as the "System"); and

WHEREAS, Franchisor desires to preserve the Marks and the System, and has plans, where profitable, to increase the number of Churned Creamery Stores within the United States and elsewhere; and

WHEREAS, Franchisee desires to be a Churned Creamery Store franchisee; and

WHEREAS, Franchisee's Manager has been hired by Franchisee to run the day-to-day activities of Franchisee's store and such Manager must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, and the conditions stated herein, the parties agree as follows:

1. Purpose of Agreement. Franchisor is placing Franchisee in a position of trust and confidence in the development, marketing, sale and expansion of the System. As a precondition of the grant of the right to own and operate a Churned Creamery Store, Franchisor desires to receive from Franchisee (i) an agreement not to disclose certain information relating to Franchisor's business, (ii) an agreement not to compete against Franchisor for a certain period of time, and (iii) an agreement concerning the ownership of certain information. This Agreement sets forth the terms of their agreements and understandings.

2. Franchisor Ownership of Materials. All information, ideas, research, methods, techniques, specifications, guidelines, secret recipes, manuals, procedures, systems, improvements, notes, data, tapes, reference items, financial information, literature, files, supplier lists, notebooks, calendars, sketches, drawings, memoranda, records and copyrighted and other materials, including Franchisor's Confidential Operating Manual, and the goodwill associated with them, which in any way relate to Franchisor's past, present or potential business or which were prepared or received by Franchisee as a franchisee of Franchisor and a participant in the System (collectively referred to

as "Confidential Information") are the exclusive property of Franchisor. Franchisee agrees to deliver to Franchisor all copies of such materials including Franchisee's own personal work papers, which are in Franchisee's possession or under Franchisee's potential control at the request of Franchisor or, in the absence of such a request, upon the termination of that certain Franchise Agreement dated even date herewith between Franchisor and Franchisee (the "Franchise Agreement").

3. Confidential Information. Franchisee acknowledges that Franchisor's Confidential Information is a valuable and unique asset which Franchisee holds in trust for Franchisor's sole benefit. Franchisee agrees that Franchisee shall not, at any time during and for a period of fifty (50) years after Franchisee ceases to be a franchisee of Franchisor or a participant in the System, use for itself or for others, or disclose to any person, corporation or other entity for any reason, any of Franchisor's Confidential Information, without the prior written consent of Franchisor.

4. Trade Secrets. Franchisee acknowledges that Franchisor's Confidential Information and its methods and techniques of operation, and food preparation, merchandising, recipes, specifications, its financial condition, customer service, marketing and pricing strategies, as well as the information compiled and developed regarding improvements or enhancements to the System, including the Confidential Operating Manual, are uniquely valuable to Franchisor and have been developed through considerable expense and effort, and thus are not usually ascertainable by a competitor without considerable investment of effort and expense ("Trade Secrets").

In light of the need to protect and preserve the confidentiality of these Trade Secrets and in consideration of Franchisee's continued right to own and operate a Churned Creamery Store, Franchisee agrees, at all times while a franchisee of Franchisor and for as long as Franchisor remains in business anywhere in the world, to respect the confidentiality of Franchisor's Trade Secrets, to use them solely for the benefit of Franchisor's business, and to refrain from disclosing or making available the Trade Secrets to any third party without the prior written consent of Franchisor. Franchisee further agrees to take all reasonable security measures to ensure that Franchisee's employees comply with this Agreement and such other security measures as are reasonably requested by Franchisor to prevent accidental disclosure.

5. Assignment of Inventions. All ideas, improvements, processes, names, menu items, and enhancements to the System or which relate to or are useful to Franchisor's business which Franchisee, alone or with others, may invent, discover, make or conceive ("Inventions") are the exclusive property of Franchisor, and Franchisee shall promptly and fully disclose them to Franchisor. At any time, at Franchisor's request and expense, Franchisee shall, without further compensation: (i) promptly record such Inventions with Franchisor; (ii) execute any assignments and other documents Franchisor deems desirable to protect its rights in the Inventions; and (iii) assist Franchisor in enforcing its rights with respect to these Inventions.

6. Restrictions on Unfair Competition. It is recognized by Franchisee that as the natural result of Franchisee's participation in the System as a franchisee of Franchisor, Franchisee will gain access to Franchisor's Trade Secrets and Confidential Information, and will gain the trust, confidence and respect of Franchisor's landlords, customers and suppliers. Franchisee acknowledges that Franchisor has a legitimate need to protect itself against unfair competition by its franchisees and their employees. Therefore, in consideration for Franchisee's participation in the System as a franchisee of Franchisor, Franchisee agrees that while it is a franchisee of Franchisor and for two (2) years after termination of the Franchise Agreement, regardless of the circumstances giving rise to the termination, or after Franchisee ceases to be a participant in the System, and

within a 25 mile radius of any Churned Creamery Store, Franchisee shall not:

(a) Have or acquire an interest in a similar business to that offered or developed by Franchisor which provides the same or substantially similar products as those sold, distributed, manufactured or furnished by Franchisor during the term of the Franchise Agreement. For purposes of this Agreement, "similar business" means a retail food service store or restaurant that sells the same or substantially similar products as Menu Items, as such term is defined in the Franchise Agreement, where the cumulative sales of such products comprise at least 50% of total sales of such business;

(b) Engage, directly or indirectly, on Franchisee's own behalf, or on behalf of any other person, firm, partnership or corporation, in providing, assisting, instructing or supervising the marketing, distribution or sale of the Products of any similar business to those offered and provided or manufactured by Franchisor as of the termination of this Agreement;

(c) Compete, directly or indirectly, with Franchisor in the offering, distribution or sale of products similar to the Products offered or provided or manufactured by Franchisor as of the termination of this Agreement. Prohibited competition under this subsection (c) may include, but is not limited to, the solicitation of, attempted solicitation, or other contacts with franchisees, landlords, suppliers and customers of Franchisor for the purpose of offering, providing or delivering Products or services similar to those offered and provided by Franchisor to the public; or the request, suggestion or advice to Franchisees, landlords, suppliers or customers, either directly or indirectly, to withdraw, curtail, limit or cancel their business with Franchisor; or to disclose, directly or indirectly, to any other person the names and addresses of franchisees, landlords, suppliers and customers of Franchisor; or the terms and conditions of Franchisor's contracts with suppliers of these Products;

(d) Hire or engage, or attempt to hire or engage, directly or indirectly, any individual who is an employee of Franchisor at the time of such solicitation, or was an employee during the calendar year immediately preceding Franchisee's termination as a participant in the System as a franchisee of Franchisor, whether such actions are undertaken on behalf of Franchisee or on behalf of another entity; or

(e) Otherwise take direct actions to disrupt the operations of Franchisor or interfere with Franchisor's performance of its contracts with third parties.

7. Enforcement.

(a) Injunction. Franchisee understands and agrees that Franchisor will suffer irreparable harm if Franchisee breaches any of Franchisee's obligations under this Agreement, and that monetary damages shall be inadequate to compensate Franchisor for any such violation. Accordingly, Franchisee agrees that in the event Franchisee violates or threatens to violate any of the provisions of this Agreement, Franchisor, in addition to all other remedies or damages which it may have, shall be entitled to seek an injunction to prevent or to restrain any such violation by Franchisee or by any or all of Franchisee's directors, stockholders, officers, partners, employees, agents or any other person directly or indirectly acting for, on behalf of or with Franchisee. Franchisee consents to the seeking of the injunction as being a reasonable measure to protect Franchisor's rights.

(b) Jurisdiction and Law. Franchisee agrees that this Agreement will be governed by the laws of the state where Franchisee is located, and that any arbitration or lawsuit brought by Franchisor to enforce its rights under this Agreement shall be brought in the appropriate court located in the State of California, County of Orange and Franchisee agrees and consents to California jurisdiction of such arbitration or court proceeding to resolve all disputes which arise out of this Agreement or any alleged breach thereof regardless of Franchisee's residency at the time such suit is filed. Any action brought by Franchisee against Franchisor or its officers, directors or agents arising out of this Agreement, or any alleged breach thereof, must be brought within one (1) year of the event giving rise to the cause of action. The failure to commence such action by or on behalf of Franchisee within this time period shall serve to bar any rights Franchisee may have against Franchisor or its officers, directors and agents.

(c) Costs. Franchisee further agrees that if Franchisee acts in any manner which causes Franchisor to seek any form of judicial relief or remedy against Franchisee, and the court determines Franchisee has or is violating any of the provisions of this Agreement, Franchisor, in addition to its other remedies, shall be entitled to recover from Franchisee all costs incurred, including its attorneys' fees.

8. Reasonableness of Restrictions; Severability. Franchisee has read and considered carefully the provisions of Sections 1 through 7 of this Agreement, and agrees that the restrictions are fair and reasonably required for the protection of the interests of Franchisor, its business and its officers, directors and employees, even though no geographic limitation is included because of the national nature of the franchise business. Franchisee further agree that the restrictions set forth in this Agreement shall not impair Franchisee's ability to secure employment or acquire an interest in a business in another field of choice, other than the restricted field described in Section 6.

9. Miscellaneous.

(a) All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then Franchisee agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Franchisor's legitimate business needs as permitted by applicable law and public policy. In so doing, Franchisee agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid. Further, Franchisee agrees that a breach or alleged breach by Franchisor of any obligation owed by Franchisor shall not affect the validity or enforceability of the provisions of this Agreement.

(b) This Agreement was entered into and shall be governed by the laws of the State of California.

(c) No delay or failure by Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

(d) In the event that any provision of this Agreement, or a portion thereof, shall be held to be invalid or unenforceable, this ruling shall not affect in any manner the validity of the remaining provisions.

(e) The rights and obligations of Franchisor under this Agreement shall inure to the benefit of and shall be binding upon the parties hereto, as well as the affiliates of Franchisor and any future successors and assigns of Franchisor.

(f) No modification of this Agreement shall be valid unless it is in writing and signed by both Franchisee and an authorized representative of Franchisor. This Agreement contains the entire agreement between the parties and is expressly intended by Franchisee and Franchisor to supersede and replace any prior agreements on these issues between the parties.

(g) The Manager, if any, hereby executes this Agreement to evidence his/her or their consent to be bound by each and every provision.

IN WITNESS WHEREOF, Franchisor and Franchisee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this_____day of _________, 20__.

FRANCHISOR

By:_________________________________
President

FRANCHISEE:

By:_________________________________
(Franchisee)

By:_________________________________
(Franchisee)

By:_________________________________
(Manager)

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

EXHIBIT "F"

TRANSFER OF FRANCHISE TO A CORPORATION

The undersigned, as Franchisee of the Store under a Franchise Agreement executed on the date set forth below between Franchisee and Churned Creamery International, Inc., as Franchisor, granting Franchisee a franchise to operate at the location set forth below, and the other undersigned shareholders or members of the Corporation, who together with Franchisee constitute all of the Shareholders of the Corporation, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation in accordance with the provisions of Article XX of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other Shareholders of the Corporation intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article XIV thereof, to the same extent as if each of them were Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of Franchisee's obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation without the prior written approval of Franchisor and agree that all stock certificates representing shares in the Corporation shall bear the following legend:

> "The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated ________________,20__ between Franchisee and Churned Creamery International, Inc.".

3. Franchisee or his designee shall devote his best efforts to the day-to-day operation and development of the Store.

4. ________________________ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Churned Creamery International, Inc. to the same extent as if it were named as Franchisee herein.

Date of Franchise Agreement: ____

Location of Store: ____

Name of Corporation: ____

Shareholders and % ownership:

______________________________ ______________________________

______________________________ ______________________________

Franchisee:

____ ____

In consideration of the execution of the above Agreement, Churned Creamery International, Inc. hereby consents to the above referred to assignment on this ______ day of ________________, 20__.

CHURNED CREAMERY INTERNATIONAL, INC.

By:____
President

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

EXHIBIT "G"

TELEPHONE NUMBER ASSIGNMENT AGREEMENT AND POWER OF ATTORNEY

FOR VALUE RECEIVED, the undersigned ("Franchisee") irrevocably assigns the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective upon the date of termination of the Franchise Agreement described below to Churned Creamery International, Inc. upon the following terms:

1. This assignment is made under the terms of Churned Creamery Store Franchise Agreement dated__________, 20__ authorizing Franchisee to do business as "Churned Creamery" Store (the "Franchise Agreement") between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers Franchisee uses in the operation of the Store covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the telephone listing and numbers only for transactions and advertising under the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but upon termination or expiration of the Franchise Agreement, Franchisee's limited right of use of the telephone listing and numbers also terminates. In this event, Franchisee agrees to immediately discontinue use of all listings and numbers. At Franchisor's request, Franchisee will immediately sign all documents, pay all monies, and take all other actions necessary to transfer the listing and numbers to Franchisor.

3. The telephone numbers and affiliated listings subject to this assignment are: (to be determined) and all numbers on the rotary series and all numbers Franchisee uses in the Store in the future.

4. Franchisee shall pay all amounts owed for the use of the telephone numbers and affiliated listing it incurs. On termination or expiration of the Franchise Agreement, Franchisee shall immediately pay all amounts owed for the listing and telephone numbers, whether or not due, including all sums owed under existing contracts for telephone directory advertising.

5. Franchisee appoints Franchisor as his/her attorney-in-fact to act in Franchisee's place for the purpose of assigning any telephone numbers covered by Paragraph 3 above to Franchisor or Franchisor's designees or transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to exercise these powers, including full power of substitution and signing or completion of all documents required or requested by any telephone company to transfer the numbers, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for ten (10) years from the date of expiration, cancellation or termination of Franchisee's rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney is not affected by Franchisee's later incapacity. This power is created to secure performance of a duty to Franchisor and is for consideration.

THE PARTIES have caused this Agreement to be duly signed as evidenced by their signatures appearing below. Persons signing this Agreement must check the appropriate space and sign in the appropriate place provided.

FRANCHISEE: EACH OF THE BELOW PERSONS AGREES TO BE BOUND BY THE PROVISIONS OF THIS AGREEMENT, IN BOTH INDIVIDUAL AND REPRESENTATIVE CAPACITIES.

Signed the _____ day of _________, 20__

Franchisee

By:___________________________________

By: _________________________________

FRANCHISOR:

Signed and accepted as of the ____day of______________, 20_________

CHURNED CREAMERY INTERNATIONAL, INC.

By: _______________________________________
President

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

EXHIBIT "H"

AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO CHURNED CREAMERY INTERNATIONAL, INC., INCLUDING CHECKS AND ELECTRONIC TRANSFERS

Depositor hereby authorizes and requests_________________(the "Bank") to initiate debit and credit entries to Depositor's account indicated below drawn by and payable to the order of CHURNED CREAMERY INTERNATIONAL, INC. (the "Company") in checks drawn on such account payable to the Company or by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Bank's rights with respect to each such charge shall be the same as if it were a check drawn by the Bank and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Bank shall be under no liability whatsoever.

Bank Name: ____

Bank Address:____

Transit/ABA Number:_____________________________________

Account Number:____

This authority is to remain in full force and effect until the Company has received written notification from the depositor of its termination in such time and in such manner to afford the Company and Bank a responsible opportunity to act on such request.

Store Address: ____

Name of Depositor:_________________________(Please print Franchisee name)

____

Date Signed

____

Signature of Depositor

____

Signature of Depositor (in case more than 1 depositor)

PLEASE ATTACH ONE VOIDED BLANK CHECK FOR PURPOSES OF SETTING UP BANK AND TRANSIT NUMBERS.

CHURNED CREAMERY INTERNATIONAL, INC.

FRANCHISE AGREEMENT

EXHIBIT "I"

FRANCHISEE COMPLIANCE CERTIFICATION

As you know, Churned Creamery International, Inc. (the Franchisor) and you are preparing to enter into a Franchise Agreement for the establishment and operation of a Churned Creamery Store. The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of Franchisor, or by employees or authorized representatives of Franchisor's sales agents, that have not been authorized or that may be untrue, inaccurate or misleading.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Churned Creamery International, Inc. from an existing Franchisee?

Yes_____ No ______

2. I had my first face-to-face meeting with a Franchisor representative on ______________, 20___.

3. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreements attached to it?

Yes_____ No ______

4. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreements provided to you?

Yes_____ No ______

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

____
____
____

5. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document (FDD) that was provided to you?

Yes_____ No ______

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes_____ No ______

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes_____No ______

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

____
____
____
____

8. Have you discussed the benefits and risks of establishing and operating a Churned Creamery Store with an attorney, accountant, or other professional advisor?

Yes_____No ______

If No, do you wish to have more time to do so?

Yes_____No ______

9. Do you understand that the success or failure of your Churned Creamery Store will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes_____No ______

10. Has any employee or sales agent of Franchisor made any statement or promise concerning the revenues, project cost, project cost, profits or operating costs of a Churned Creamery Store operated by the Franchisor or its Franchisees that is contrary to the information contained in the FDD?

Yes_____No ______

11. Has any employee or sales agent of Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to the information contained in the FDD?

Yes_____No ______

12. Has any employee or sales agent of Franchisor made any statement or promise concerning the total amount of revenue the Churned Creamery Store will generate that is contrary to the information contained in the FDD?

Yes_____No ______

13. Has any employee or sales agent of Franchisor made any statement or promise regarding the costs you may incur in operating the Churned Creamery Store that is contrary to or different from, the information contained in the FDD?

Yes_____No ______

14. Has any employee or sales agent of Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Churned Creamery Store?

Yes_____No ______

15. Has any employee or sales agent of Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes_____No ______

16. Have you entered into any binding agreement with Franchisor concerning the purchase of this franchise prior to today?

Yes_____No ______

17. Have you paid any money to Franchisor concerning the purchase of this franchise prior to today?

Yes_____No ______

If you have answered Yes to any one of questions 10-17, please provide a full explanation of each Yes answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered No to each of questions 10-17, please leave the following lines blank.

____
____
____
____

I signed the Franchise Agreement and Addenda (if any) on______________, 20___, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FRANCHISEE APPLICANT DATE:

__________________________ ______________________

EXHIBIT D

AREA DEVELOPMENT AGREEMENT AND EXHIBITS

CHURNED CREAMERY INTERNATIONAL, INC.

AREA DEVELOPMENT AGREEMENT

CHURNED CREAMERY INTERNATIONAL, INC.

AREA DEVELOPMENT AGREEMENT

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CHURNED CREAMERY INTERNATIONAL, INC.

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT ("Agreement") is made and entered into this ______ day of ________________________, 20____, between Churned Creamery International, Inc., a California corporation whose principal address is 1295 South Lewis Street, Anaheim CA 92805 ("Franchisor"), and ________________________________ whose principal address is________________________________ ________________________ ("Area Developer").

RECITALS:

A. Franchisor is engaged in the franchising of an ice cream store known as "Churned Creamery", featuring frozen dessert products produced by its exclusive state-of-the-art equipment and ingredients to provide a unique ice cream experience through customizable ice cream options handcrafted at the store ("Menu Items" or "Products") and provide carry-out and on-premises dining services (collectively, "Churned Creamery Stores" or "Stores"). Franchisor's stores are operated under certain trademarks, service marks, logos and other commercial symbols, including without limitation "Churned Creamery" (collectively "Marks"), and pursuant to certain confidential information and trade secrets. Menu Items are prepared according to proprietary recipes and procedures and use high quality ingredients pursuant to formulae developed by Franchisor ("Trade Secret Food Products").

B. Churned Creamery Stores are operated with uniform formats, designs, systems, methods, specifications, standards and procedures, all of which may be improved, further developed or otherwise modified from time to time by Franchisor ("System").

C. Area Developer recognizes the benefits to be derived from being identified with and being an area developer of Franchisor and being able to utilize the System and the Marks which Franchisor makes available to its Area Developers; and

D. Area Developer wishes to obtain certain development rights to open and operate Churned Creamery Stores operating under the Marks under the System within the territory described in this Area Development Agreement.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

SECTION I
GRANT

1.1 Franchisor hereby grants to Area Developer, pursuant to the terms and conditions of this Area Development Agreement, certain development rights ("Development Rights") to establish and operate ______ ( ) franchised Stores, and to use the System solely in connection therewith, at specific locations to be designated in separate Franchise Agreements executed as provided in Section 3.1 hereof, and pursuant to the schedule set forth in Exhibit "A" of this Agreement ("Minimum Performance Schedule"). Each Store developed hereunder shall be located in the area described in Exhibit "B" of this Agreement ("Development Area").

1.2 Each Store for which an Area Development Right is granted hereunder shall be established and operated pursuant to a Franchise Agreement to be entered into between Area Developer and Franchisor in accordance with Section 3.1 hereof.

1.3 Except as otherwise provided in this Agreement, Franchisor shall not establish, nor franchise anyone other than Area Developer to establish, a Store in the Development Area during the term of this Agreement, provided Area Developer is not in default hereunder.

1.4 This Agreement is not a Franchise Agreement and does not grant to Area Developer any right to use the Marks or System.

1.5 Area Developer shall have no right under this Agreement to franchise or license others under the Marks or System.

SECTION II
DEVELOPMENT FEE

In consideration of the development rights granted herein, Area Developer shall pay to Franchisor a non-refundable Development Fee of Thirty Thousand Dollars ($30,000.00) for the first Store; Twenty Five Thousand Dollars ($25,000.00) for your second Store, and Twenty Thousand Dollars ($20,000.00) for your third and any additional Stores to be developed..

The Development Fee shall be paid in full upon execution of this Agreement and shall be non-refundable. The Development Fee shall be fully earned and paid for the administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the Development Rights granted Area Developer herein.

SECTION III
SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

3.1 In the event Area Developer finds a location for a Store, then in such event, Area Developer shall submit to Franchisor for its evaluation and approval, in the form specified by Franchisor, a description of the site, the terms of the lease or purchase and such other information and materials as Franchisor may reasonably require. Franchisor shall have fifteen (15) business days after receipt of such information and materials from Area Developer to approve or disapprove the site in its sole discretion. In the event Franchisor does not disapprove the site by submitting written notice to Area Developer within fifteen (15) days, such site will be deemed approved by Franchisor. The Area Developer will then be presented with the then-current Franchise Agreement for execution.

3.2 Recognizing that time is of the essence, Area Developer agrees to exercise each of the Development Rights granted hereunder in the manner specified herein, and to satisfy the Minimum Performance Schedule in a timely manner. Failure by Area Developer to adhere to the Minimum Performance Schedule shall constitute a default under this Agreement as provided in Section 9.1 hereof.

3.3 Area Developer shall exercise each Area Development Right granted herein only by executing a Franchise Agreement for each Store at a site approved by Franchisor in the Development Area as hereinafter provided within ten (10) days after receipt of said Franchise

Agreement from Franchisor for the approved site and return same to Franchisor for its execution. The Franchise Agreement for the first Area Development Right exercised hereunder shall be the then-current form of Franchise Agreement. The Franchise Agreement for each additional Area Development Right exercised hereunder shall be the then-current Franchise Agreement, except that the Royalty and Advertising Fees shall not increase and shall be the same as set forth in the first Franchise Agreement executed, subject to any non-material changes therein which are required to be made by changes in any applicable law, regulation or ordinance in effect from time to time. In the event Franchisor does not receive the properly executed Franchise Agreement with the appropriate number of copies within said ten (10) days from delivery thereof to Area Developer, Franchisor approval of the site shall be void and Area Developer shall have no rights with respect to said site.

3.4 Area Developer acknowledges that the approval of a particular site for a Store by Franchisor shall not be deemed to be an assurance or guaranty that the Store will operate successfully or at a profit from such site.

3.5 Area Developer shall be required to execute each Franchise Agreement for each Store to be opened pursuant to said Franchise Agreement. In no event shall Area Developer relinquish control over each entity operating each Store.

SECTION IV
DEVELOPMENT RIGHTS AND OBLIGATIONS

4.1 Subject to the provisions of this Agreement, Franchisor grants to Area Developer the right to develop Stores within the Development Area ("Development Rights").

4.2 Provided Area Developer is in full compliance with all the terms and conditions of this Agreement, including without limitation Area Developer's development obligations described in Section 3.2, and Area Developer is in full compliance with all of its obligations under all franchise agreements executed pursuant to this Agreement, then during the term of this Agreement neither Franchisor nor any of its affiliates will develop or operate or grant franchises for the development or operation of Stores within the Development Area, except the franchises that are granted to Area Developer pursuant to this Agreement and except as otherwise expressly provided in this Agreement.

4.3 Upon the termination or expiration of this Agreement, Franchisor and its affiliates shall have the right to develop and operate, and to grant to others development rights and franchises to develop and operate, Stores within the Development Area subject only to the territorial rights granted to Area Developer with respect to Stores operated by Area Developer pursuant to the Franchise Agreements, if applicable.

4.4 Except as expressly limited by Section 3.2 above, Franchisor and its affiliates retain all rights with respect to Stores, the Marks and the sale of any goods and services, anywhere in the world, including, without limitation, the right:

4.4.1 to produce, offer and sell and to grant others the right to produce, offer and sell the products and any other goods and services through similar or dissimilar channels of distribution both within and outside the Development Area under trade and service marks other than the Marks and under any terms and conditions Franchisor deems appropriate;

4.4.2 to produce, offer and sell and grant others the right to produce, offer and sell the products and any other goods and services through dissimilar channels of distribution (other than through a retail bakery-café outlet) both within and outside the Development Area under the Marks and under any terms and conditions Franchisor deems appropriate; and

4.4.3 to operate and to grant others the right to operate Stores located outside the Development Area under any terms and conditions Franchisor deems appropriate and regardless of proximity to a Store or Development Area.

SECTION V
RENEWAL

This Agreement shall not be subject to renewal.

SECTION VI
TERM

Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all Development Rights granted hereunder shall expire on the date the last Store is opened pursuant to the Minimum Performance Schedule set forth in Exhibit "A".

SECTION VII
OBLIGATIONS OF AREA DEVELOPER

7.1 Area Developer acknowledges and agrees that:

7.1.1 Except as otherwise provided herein, this Agreement includes only the right to select sites for the establishment of Stores and to submit the same to Franchisor for its approval in accordance with the terms of this Agreement. This Agreement does not include the grant of a license by Franchisor to Area Developer of any rights to use the Marks, the System, or to open or operate any Stores within the Development Area. Area Developer shall obtain the license to use such additional rights at each Store upon the execution of each Franchise Agreement by both Area Developer and Franchisor and only in accordance with the terms of each Franchise Agreement.

7.1.2 The Development Rights granted hereunder are personal to Area Developer and cannot be sold, assigned, transferred or encumbered, in whole or in part, except as set forth in Section XI hereof.

7.1.3 Except as provided in Sections 7.1.1 and 7.1.2 hereof, the Development Rights granted hereunder are non-exclusive, and Franchisor retains the right, in its sole discretion:

(a) To continue to construct and operate other Stores and to use the System and the Marks at any location outside the Development Area, and to license others to do so.

(b) To develop, use and franchise the rights to any trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia, or copyrights not designated by Franchisor as Marks for use with different franchise systems for the sale of the different products or services not in connection with the System at any location, on such terms and conditions as Franchisor may deem advisable and without granting Area Developer any rights therein.

(c) To develop, merchandise, sell and license others to sell any of Franchisor's products, proprietary or otherwise, presently existing or to be developed in the future, to the public through supermarkets, groceries and other non-outlet outlets outside of the Development Area and to use the Marks in connection therewith.

(d) To promote or conduct special events within the Development Area, provided, however, that the opportunity to conduct each special event shall first be offered to Area Developer in accordance with the terms of any valid and effective Franchise Agreement.

7.1.4 Area Developer has sole responsibility for the performance of all obligations arising out of the operation of his business pursuant to this Agreement, including, but not limited to, the payment when due of any and all taxes levied or assessed by reason of such operation.

7.1.5 In all public records, in its relationship with other persons, and in any documents, Area Developer shall indicate clearly the independent ownership of Area Developer's business and that the operations of said business are separate and distinct from the operation of Franchisor's business.

7.1.6 Area Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Area Developer by Franchisor, and Area Developer shall disclose such information or materials only to such of the Area Developer's employees or agents who must have access to it in connection with their employment. Area Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.1.7 Area Developer shall comply with all requirements of federal, state and local laws, rules and regulations.

7.1.8 Area Developer shall at no time have the right to sub-franchise any of its Development Rights hereunder.

SECTION VIII
SERVICES OF FRANCHISOR

Franchisor shall, at its expense, provide the following services:

8.1 Review Area Developer's site selection for conformity to Franchisor standards and criteria for selection and acquisition of sites upon Franchisor's receipt of Area Developer's written request for approval thereof.

8.2 Provide Area Developer with standard specifications and layouts for the layout, interior and exterior design, improvements, equipment, furnishings, decor and signs identified with the Stores as Franchisor makes available to all area developers and franchisees from time to time.

8.3 Review Area Developer's site plan and final build-out plans and specifications for conformity to the construction standards and specifications of the System, upon Franchisor's receipt of Area Developer's written request for approval thereof.

8.4 Conduct such on-site evaluation as Franchisor may, in its sole discretion, deem advisable as part of its evaluation of Area Developer's request for site approval, provided however, that Franchisor shall not be required to provide such on-site evaluation for any proposed site prior to Franchisor receipt of a description of such proposed site and other information and evidence satisfactory to Franchisor. If deemed appropriate and if the site requires inspection, Franchisor may conduct an on-site inspection.

8.5 Provide such other resources and assistance as may hereafter be developed and offered by Franchisor to its other area developers.

SECTION IX
DEFAULT AND TERMINATION

9.1 The occurrence of any of the following events of default shall constitute good cause for Franchisor, at its option and without prejudice to any other rights or remedies provided for hereunder or by law or equity, to terminate this Agreement:

9.1.1 If Area Developer shall, in any respect, fail to meet the Minimum Performance Schedule.

9.1.2 If Area Developer shall use the System or Marks, or any other names, marks, systems, insignia, symbols or rights which are the property of Franchisor except pursuant to, and in accordance with, a valid and effective Franchise Agreement.

9.1.3 If Area Developer, or persons controlling, controlled by or under common control with Area Developer, shall have any interest, direct or indirect, in the ownership or operation of any store engaged in the sale of products similar to those permitted to be sold by Area Developer within the Development Area or in any outlet which looks like, copies or imitates the Store or operates in a manner tending to have such effect other than pursuant to a valid and effective Franchise Agreement.

9.1.4 If Area Developer shall fail to remit to Franchisor any payments due under this Agreement, or under any Franchise Agreement.

9.1.5 If Area Developer shall begin work upon any Store at any site unless all the conditions set forth in Section III hereof have been met.

9.1.6 If Area Developer shall purport to effect any assignment other than in accordance with Section XI hereof.

9.1.7 Except as provided in Section XI hereof, if Area Developer attempts to sell, assign, transfer or encumber this Agreement without Franchisor's prior written approval.

9.1.8 If Area Developer makes, or has made, any material misrepresentation to Franchisor in connection with obtaining this Area Development Agreement, any site approval hereunder, or any Franchise Agreement.

9.1.9 If Area Developer fails to obtain Franchisor's prior written approval or consent, including but not limited to site approval or site plan approval, as expressly required by this Agreement.

9.1.10 If Area Developer defaults in the performance of any other obligation under this Agreement or any Franchise Agreement .

9.1.11 If Area Developer defaults in the performance of any obligation under any Franchise Agreement with Franchisor, provided such default results in the termination of the Franchise Agreement.

9.1.12 If Area Developer suffers a violation of any law, ordinance, rule or regulation of a governmental agency in connection with the operation of the Store, and permits the same to go uncorrected after notification thereof, unless there is a bona fide dispute as to the violation or legality of such law, ordinance, rule or regulation, and Area Developer promptly resorts to courts or forums of appropriate jurisdiction to contest such violation or legality.

9.1.13 If Area Developer or a shareholder of Area Developer owning twenty-five percent (25%) or more of Area Developer's voting stock is convicted in a court of competent jurisdiction of an indictable offense punishable by a term of imprisonment in excess of one (1) year.

9.1.14 If Area Developer, or any person controlling, controlled by or under common control with Area Developer, shall become insolvent by reason of inability to pay their debts as they mature; shall be adjudicated a bankrupt; shall file or have filed against any of them a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States; or if a receiver, permanent or temporary, of the business, assets or property of Area Developer or any such person, or any part thereof, is appointed by a court of competent authority; or if Area Developer or any such person requests the appointment of a receiver or makes a general assignment for the benefit of creditors or if a final judgment against Area Developer or any such person in the amount of Ten Thousand Dollars ($10,000) or more remains unsatisfied or recorded for sixty (60) days or longer; or if the bank accounts, property or receivables of Area Developer or any such person are attached and such attachment proceedings are not dismissed within a sixty (60) day period; or if execution is levied against the business or property of Area Developer or suit to foreclose any lien or mortgage against any of the Stores, the premises thereof or equipment thereon is instituted and not dismissed within thirty (30) days.

9.2 Upon occurrence of any of the events set forth in Section 9.1, Franchisor may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, terminate this Agreement. Such termination shall be effective thirty (30) days after written notice (or such other notice as may be required by applicable state law) is given by Franchisor to Area Developer of any of the events set forth in this Section IX, if such defaults are not cured within such period. However, termination shall be effective immediately, without notice and without the necessity of further action by Franchisor, upon occurrence of any of the events specified in this Section IX, except where prohibited by any applicable state or federal law, whereupon this Agreement shall be terminated in accordance with the provisions of any such law.

SECTION X
AREA DEVELOPER'S OBLIGATIONS FOLLOWING TERMINATION

10.1 Upon termination of this Agreement becoming effective for any reason, or upon expiration of the term hereof, Area Developer agrees as follows:

10.1.1 To cease immediately any attempts to select sites on which to establish Stores.

10.1.2 To cease immediately to hold itself out in any way as an Area Developer of Franchisor or to do anything which would indicate a relationship between it and Franchisor.

10.2 Termination of this Agreement shall not affect the rights of Area Developer to operate Stores in accordance with the terms of any Franchise Agreement with Franchisor, executed prior to the termination of this Agreement, until and unless such Franchise Agreement, or any of them, are terminated in accordance with their terms, renewed or expired.

10.3 No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

SECTION XI
TRANSFER OF INTEREST

11.1 This Agreement is personal to Area Developer, and Area Developer shall neither sell, assign, transfer nor encumber this Agreement, the Development Rights, or any other interest hereunder, nor suffer or permit any such assignment, transfer or encumbrance to occur directly, indirectly or contingently by agreement or by operation of law without the prior written consent of Franchisor. Area Developer understands that this Agreement may not be pledged, mortgaged, hypothecated, given as security for an obligation or in any manner encumbered. The assignment or transfer of any interest, except in accordance with this Paragraph shall constitute a material breach of this Agreement.

11.2 In the event that Area Developer is a corporation or desires to conduct business in a corporate capacity, said corporation or assignment to a corporation must receive the prior written approval of Franchisor and Area Developer agrees to comply with the provisions hereinafter specified, including without limitation restrictions on the number of shareholders of the corporation or assignee corporation and, where appropriate in Franchisor's discretion, personal guarantees by any shareholder having at least 5% ownership interest in such corporation of all of the obligations of said corporation or assignee corporation to Franchisor and other parties designated by Franchisor. The corporation or assignee corporation shall not engage in any business activities other than those directly related to the operation of the Store(s) pursuant to the terms and conditions of the Franchise Agreements with Franchisor, and all assets related to the operation of the Store(s) shall be held by the corporation or assignee corporation. There shall be no transfer fee charged by Franchisor if such assignment to a corporation is made within ninety (90) days after the execution of this Agreement.

The references in Sections 11.2, 11.3 and 11.4 herein to "Corporation," "assignee corporation," "stock," "by-laws," "shareholders," etc., shall be deemed to include and permit similar transfers to other business entities such as a limited liability company, limited partnership or business trust, as applicable, in which case the language of such entity shall be understood (e.g. in the case of a limited liability company ("LLC" or "Company," "members," "membership interests," "operating agreement," etc.), unless the context would not so permit such substitution.

11.3 If Area Developer is a corporation or if Area Developer's rights hereunder are assigned to a corporation, the Area Developer, or those individuals disclosed on Exhibit "B" attached hereto shall be the legal and beneficial owner of and shall act as such corporation's principal officer. The assignment to a corporation will not relieve Area Developer of personal liability to Franchisor for performance of any of the obligations under this Agreement. Any subsequent transfer of voting rights of the stock of the corporation or assignee corporation, and any transfer or issuance of shares of the corporation or assignee corporation shall be subject to Franchisor prior written approval. Franchisor agrees that it will not unreasonably restrict the issuance or transfer of shares of stock, provided that Area Developer complies with the provisions of this Section XI, and provided that in no event shall any share of stock of such corporation or assignee corporation be sold, transferred or assigned to a business competitor of Franchisor. The articles of incorporation and by-laws of the corporation or assignee corporation shall reflect that the issuance and transfer of shares of stock are restricted, and all stock certificates shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate:

> **"The transfer of this stock is subject to the terms and conditions of an Area Development Agreement with Franchisor, dated _________. Reference is made to said Area Development Agreement and related Franchise Agreements and to restrictive provisions of the charter and by-laws of this corporation."**

11.4 The corporation or assignee corporation's corporate records shall indicate that a stop transfer order shall be in effect against the transfer of any stock, except for transfers permitted by this Section XI. In addition to the foregoing, the stock of such corporation or assignee corporation shall not be publicly sold or traded without the prior express written consent of Franchisor, which shall be given at the sole discretion of Franchisor. In the event that Franchisor approves a public offering of Area Developer, Area Developer shall present the offering circular or prospectus to Franchisor for its review within a reasonable time prior to such offering becoming effective. In no event shall Area Developer offer its securities by use of the name "Churned Creamery" or any name deceptively similar thereto, however, Area Developer may make appropriate reference to the fact the Area Developer has a Development Agreement with Franchisor; nor shall Area Developer relinquish control of the new public company. Area

Developer agrees to indemnify and hold Franchisor harmless from and against any claims, suits, actions or otherwise which arise out of or from such public offering.

11.5 In the event of the death, disability or permanent incapacity of Area Developer, Franchisor shall consent to the transfer of all of the interest of Area Developer to Area Developer's spouse, heirs or relatives, by blood or marriage, or if this Agreement was originally executed by more than one party, then to the remaining party who originally executed this Agreement, whether such transfer is made by Area Developer's Last Will and Testament or by operation of law. In the event that Area Developer's heirs do not obtain the consent of Franchisor as prescribed herein, the personal representative of Area Developer shall have a reasonable time to dispose of Area Developer's interest hereunder, which disposition shall be subject to all the terms and conditions for transfers under this Agreement.

11.6 Area Developer has represented to Franchisor that he is entering into this Area Development Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the Development Rights hereunder. Therefore, Area Developer agrees that any attempt to assign this Agreement, without Franchisor's prior written approval except pursuant to Sections 11.2 and 11.3 hereof, shall be deemed to be an event of default.

11.7 If Area Developer receives from a third person and desires to accept a bona fide written offer to purchase its business, Development Rights and interests, Franchisor shall have the option, exercisable within thirty (30) days after receipt of written notice setting forth the name and address of the prospective purchaser, the price and terms of such offer, and a copy of such offer and the other information set forth in this Section 11.7, to purchase such business, Development Rights and interests, including Area Developer's right to develop sites within the Development Area, on the same terms and conditions as offered by said third party. In order that Franchisor may have information sufficient to enable it to determine whether to exercise its option, Franchisor may require Area Developer to deliver to Franchisor certified financial statements as of the end of Area Developer's most recent fiscal year and such other information about the business and operations of Area Developer as Franchisor may request. If Franchisor declines, or does not accept the offer in writing within thirty (30) days, Area Developer may, within thirty (30) days from the expiration of the option period, sell, assign and transfer its business, Development Rights and interest to said third party, provided Franchisor has consented to such transfer as required by this Section XI. Any material change in the terms of the offer prior to closing of the sale to such third party shall constitute a new offer, subject to the same rights of first refusal by Franchisor or its nominee, as in the case of an initial offer. Failure by Franchisor to exercise the option afforded by this Section 11.7 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section with respect to the proposed transfer.

11.8 Area Developer acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Development Rights, and the System and the Marks, as well as Franchisor reputation and image, and are for the protection of Franchisor, Area Developer and other Area Developers. Any assignment or transfer permitted by this Section XI shall not be effective until Franchisor receives a completely executed copy of all transfer documents, and Franchisor consents in writing thereto.

11.9 Franchisor agrees not to unreasonably withhold its consent to a sale, assignment or transfer by Area Developer hereunder. Consent to such transfer otherwise permitted or permissible as reasonable may be refused unless:

11.9.1 All obligations of the Area Developer created by this Agreement, all other franchise documents, including all Franchise Agreements, and the relationship created hereunder are assumed by the transferee.

11.9.2 All ascertained or liquidated debts of Area Developer to Franchisor or its affiliated or subsidiary corporations are paid.

11.9.3 Area Developer is not in default hereunder.

11.9.4 Franchisor is reasonably satisfied that the transferee meets all of the requirements of Franchisor for new area developers, including but not limited to, good reputation and character, business acumen, operational ability, management skills, financial strength and other business considerations.

11.9.5 Transferee executes or, in appropriate circumstances, causes all necessary parties to execute, Franchisor's standard form of Area Development Agreement, Franchise Agreements for all Stores open or under construction hereunder, and such other then-current ancillary agreements, including personal guarantees, being required by Franchisor of new area developers on the date of transfer.

11.9.6 Area Developer executes a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its officers, directors, employees and principal stockholders of any and all claims and causes of action that he may have against Franchisor or any subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance thereof by Franchisor.

11.9.7 Area Developer or transferee pays to Franchisor a transfer fee in an amount equal to twenty-five percent (25%) of the Development Fee paid by Area Developer to cover Franchisor reasonable costs in effecting the transfer and in providing training and other initial assistance to transferee.

11.10 Upon the death or mental incapacity of any person with an interest of more than twenty-five percent (25%) in this Agreement or in Area Developer, the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by Franchisor within twelve (12) months. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any inter vivos transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions set forth in Section 11.1 hereof, the personal representative of the deceased shall have a reasonable time, not to exceed twelve (12) months from the date said personal representative is appointed, to dispose of the deceased's interest in Area Developer or in the Development Rights, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. It is understood and agreed, however, that notwithstanding the foregoing, the Minimum Performance Schedule shall be complied with as though no such death or mental incapacity had occurred. In the event the interest described above is not disposed of within such time, Franchisor shall have the right to terminate this Agreement, provided such termination had not previously occurred for failure to perform pursuant to the Minimum Performance Schedule, upon ninety (90) days' notice to Area Developer's representative, or Franchisor shall have the right to re-purchase same at the same price being sought by the Area Developer's representative.

11.11 Franchisor's consent to a transfer of any interest in Area Developer or in the Development Rights pursuant to this Section shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor right to demand exact compliance with any of the terms of this Agreement by the transferee.

11.12 Franchisor shall have the right, without the need for Area Developer's consent, to assign, transfer or sell its rights under this Agreement to any person, partnership, corporation or other legal entity provided that the transferee agrees in writing to assume all obligations undertaken by Franchisor herein and Area Developer receives a statement from both Franchisor and its transferee to that effect. Upon such assignment and assumption, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. Area Developer further agrees and affirms that Franchisor may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Area Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor name, Marks (or any variation thereof) and System and/or the loss of association with or identification of Franchisor as Franchisor under this Agreement. Area Developer specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the "Churned Creamery" business or to offer or sell any products or services to Area Developer.

11.13 This Agreement shall inure to the benefit of Franchisor, its successors and assigns, and Franchisor shall have the right to transfer or assign all or any part of its interest herein to any person or legal entity, provided such transferee agrees to perform all of Franchisor obligations hereunder.

SECTION XII
COVENANTS

12.1 Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable training and confidential information, including, without limitation, secret recipes, information regarding the marketing methods and techniques of Franchisor and the System. Area Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Area Developer and persons controlling, controlled by or under common control with Area Developer, shall not, either directly or indirectly, for himself, or through, on behalf of or in conjunction with any person, persons or legal entity:

12.1.1 Divert or attempt to divert any business or client of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

12.1.2 Employ or seek to employ any person who is at the time employed by Franchisor or by any other franchisee or Area Developer of Franchisor, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat.

12.1.3 Own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any outlet or food service business other than the Franchised Business (including any business operated by Area Developer prior to entry into this Agreement) specializing, in whole or in part, in the sale of the proprietary products for on-premises and carry-out consumption and/or operating a similar outlet concept selling the proprietary products sold by Franchisor or any of its franchisees or which Area Developer may be authorized to offer in connection with the Franchised Business.

12.2 Area Developer covenants that, except as otherwise approved in writing by Franchisor, Area Developer shall not, for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement, and continuing for two (2) years thereafter (and, in case of any violation of this covenant, for two (2) years after the violation ceases), either directly or indirectly, for himself or herself, or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any business other than the Franchised Business specializing, in whole or in part, in providing the sale of ice cream or frozen dessert, for on-premises and carry-out consumption and/or operating a similar outlet concept selling those food items sold by Franchisor, its franchisees or any other type of service which Area Developer may be authorized to offer in connection with the Franchised Business, which is located:

12.2.1 Within the Development Area; or

12.2.2 Within a radius of twenty-five (25) miles of the location of any Store; or

12.2.3 Within a radius of twenty-five (25) miles of the location of any other business using the System, whether franchised or owned by Franchisor.

12.3 Subsections 12.1.3 and 12.2 of this Section shall not apply to ownership by Area Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any corporation or other entity which is registered under the Securities Exchange Act of 1934.

12.4 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section XII is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Area Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section XII.

12.5 Area Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Subsections 12.1 and 12.2 or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof, and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section XVI hereof.

12.6 Area Developer expressly agrees that the existence of any claim it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section XII.

12.7 Area Developer acknowledges that any failure to comply with the requirements of this Section XII would cause Franchisor irreparable injury for which no adequate remedy at law may be available, and Area Developer hereby accordingly consents to Franchisor seeking injunctive relief prohibiting any conduct by Area Developer in violation of the terms of this Section XII. Franchisor may further avail itself of any other legal or equitable rights and remedies which it may have under this Agreement or otherwise.

12.8 At Franchisor request, Area Developer shall require and obtain the execution of covenants similar to those set forth in this Section XII (including covenants applicable upon the termination of a person's relationship with Area Developer) from any or all of the following persons:

12.8.1 All Store managers of Area Developer and any other personnel employed by Area Developer who have received training from Franchisor;

12.8.2 All officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of Area Developer and of any corporation directly or indirectly controlling Area Developer, if Area Developer is a corporation; and

12.8.3 The general partners and any limited partners (including any corporation, and the officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if Area Developer is a partnership.

Each covenant required by this Subsection 12.8 shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them. Failure by Area Developer to obtain execution of a covenant required by this Subsection 12.8 shall constitute a default under Section IX hereof.

12.9 During the term of this Agreement, an officer or agent of Franchisor shall have the right to inspect any Store in which Area Developer has an interest at reasonable times and during normal business hours to the extent reasonably necessary to determine whether the conditions of this Section XII are being satisfied. If, by reason of such inspections or otherwise, Franchisor has reason to believe that Area Developer is not in full compliance with the terms of this Section, Franchisor shall give notice of such default to Area Developer, specifying the nature of such default. If Area Developer denies that it is in default hereunder, as specified by Franchisor, it shall have the burden of establishing that such default does not exist and shall give notice to Franchisor of its position, within ten (10) days of receipt of the notice from Franchisor. Unless Area Developer so denies such default, it shall immediately take all steps to cure said default in a manner satisfactory to Franchisor.

SECTION XIII NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Churned Creamery International, Inc.
1295 South Lewis Street, Anaheim,
CA 92805
Email: info@ChurnedCreamery.com
Attention: President

Notices to the Area Developer:

____
____
____
____

Any notice by certified or registered mail shall be deemed to have been given at the date and time of mailing.

SECTION XIV INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

14.2 Area Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Area Developer agrees to take such actions as shall be necessary to that end.

14.3 Area Developer understands and agrees that nothing in this Agreement authorizes Area Developer to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor assumes no liability for, nor shall be deemed liable by reason of, any act or omission of Area Developer or any claim or judgment arising therefrom. Area Developer shall indemnify and hold Franchisor and Franchisor's officers, directors, and employees harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with Area Developer's activities hereunder, as well as the cost, including reasonable attorneys' fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Marks which are caused solely by actions of Franchisor or actions caused by the negligent acts of Franchisor or its agents.

SECTION XV
APPROVALS

15.1 Whenever this Agreement requires the prior approval or consent of Franchisor, Area Developer shall make a timely written request to Franchisor, and, except as otherwise provided herein, any approval or consent granted shall be in writing.

15.2 Franchisor makes no warranties or guarantees upon which Area Developer may rely, and assumes no liability or obligation to Area Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advise, consent or services to Area Developer in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefore.

SECTION XVI
NON-WAIVER

No failure of Franchisor to exercise any power reserved to it under this Agreement or to insist upon compliance by Area Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor rights to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, forbearance or omission of Franchisor to exercise any power or right arising out of any breach or default by Area Developer of any of the terms, provisions or covenants of this Agreement affect or impair Franchisor's rights, nor shall such constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

SECTION XVII
SEVERABILITY AND CONSTRUCTION

17.1 Each covenant and provision of this Agreement shall be construed as independent of any other covenant or provision of this Agreement. The provisions of this Agreement shall be deemed severable.

17.2 If all or any portion of a covenant or provision of this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a decision to which Franchisor is a party, Area Developer expressly agrees to be bound by any lesser covenant or provision imposing the maximum duty permitted by law which is subsumed within the terms of such covenant or provision, as if that lesser covenant or provision were separately stated in and made a part of this Agreement.

17.3 Nothing in this Agreement shall confer upon any person or legal entity other than Franchisor or Area Developer, and such of their respective successors and assigns as may be contemplated by Section XI hereof, any rights or remedies under or by reason of this Agreement.

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

17.5 All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Area Developer shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Area Developer.

17.6 This Agreement may be executed in multiple counterparts, and each copy of executed Agreement shall be deemed an original.

SECTION XVIII
ENTIRE AGREEMENT - APPLICABLE LAW

This Agreement, the documents referred to herein and the Exhibits attached hereto constitute the entire, full and complete agreement between Franchisor and Area Developer concerning the subject matter hereof and supersede any and all prior agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that is provided to Franchisee by Franchisor. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Except as provided below, this Agreement shall be interpreted and construed under the laws of the State of California, and the parties hereto consent to irrevocably submit to the jurisdiction of all courts located within the State of California, County of Orange. Notwithstanding the above, any provision in this Agreement relating to post term covenant not to compete will be governed by the laws of the state where the Area Developer is located.

ARTICLE XIX
ARBITRATION

19.1 IN THE EVENT ANY PARTY IS REQUIRED TO EMPLOY LEGAL COUNSEL OR TO INCUR OTHER REASONABLE EXPENSES TO ENFORCE ANY OBLIGATION OF ANOTHER PARTY HEREUNDER, OR TO DEFEND AGAINST ANY CLAIM, DEMAND, ACTION, OR PROCEEDING BY REASON OF ANOTHER PARTY'S FAILURE TO PERFORM ANY OBLIGATION IMPOSED UPON SUCH PARTY BY THIS AGREEMENT, AND PROVIDED THAT LEGAL ACTION IS FILED BY OR AGAINST THE FIRST PARTY AND SUCH ACTION OR THE SETTLEMENT THEREOF ESTABLISHES THE OTHER PARTY'S DEFAULT HEREUNDER, THEN THE PREVAILING PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY THE AMOUNT OF ALL REASONABLE ATTORNEYS' FEES OF SUCH COUNSEL AND ALL OTHER EXPENSES REASONABLY INCURRED IN ENFORCING SUCH OBLIGATION OR IN DEFENDING AGAINST SUCH CLAIM, DEMAND, ACTION, OR PROCEEDING, WHETHER INCURRED PRIOR TO OR IN PREPARATION FOR OR CONTEMPLATION OF THE FILING OF SUCH ACTION THEREAFTER.

19.2 EXCEPT AS SPECIFICALLY OTHERWISE PROVIDED IN THIS AGREEMENT, THE PARTIES AGREE THAT ALL CONTRACT DISPUTES THAT CANNOT BE AMICABLY SETTLED SHALL BE DETERMINED SOLELY AND EXCLUSIVELY BY ARBITRATION UNDER THE FEDERAL ARBITRATION ACT AS AMENDED AND IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THEREOF. ARBITRATION SHALL TAKE PLACE AT AN APPOINTED TIME AND PLACE IN THE STATE OF CALIFORNIA, COUNTY OF ORANGE.

19.3 THERE WILL BE A SINGLE ARBITRATOR EXPERIENCED IN FRANCHISE LAW. THE AWARD SHALL BE BINDING AND SHALL BE ENTERED IN A COURT OF COMPETENT JURISDICTION. THE AWARD MAY GRANT ANY RELIEF WHICH MIGHT BE GRANTED BY A COURT OF GENERAL

DAMAGES (BUT EXCLUDING INJUNCTIVE RELIEF), AND MAY, IN THE DISCRETION OF THE ARBITRATOR, ASSESS, IN ADDITION, THE COSTS OF ARBITRATION, INCLUDING THE FEES OF THE ARBITRATOR AND REASONABLE ATTORNEYS' FEES, AGAINST EITHER OR BOTH PARTIES, IN PROPORTIONS AS THE ARBITRATOR SHALL DETERMINE.

19.4 NOTHING HEREIN CONTAINED SHALL BAR THE RIGHT OF EITHER PARTY TO SEEK AND OBTAIN TEMPORARY AND PERMANENT INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION CONSISTENT WITH ARTICLE XIX HEREOF IN ACCORDANCE WITH APPLICABLE LAW AGAINST THREATENED CONDUCT THAT WILL IN ALL PROBABILITY CAUSE LOSS OR DAMAGE TO AREA DEVELOPER OR COMPANY.

19.5 IT IS THE INTENT OF THE PARTIES THAT ANY ARBITRATION BETWEEN THE AREA DEVELOPER AND COMPANY REGARDING A CLAIM OF AREA DEVELOPER SHALL BE OF AREA DEVELOPER'S INDIVIDUAL CLAIM AND THAT NO SUCH CLAIM SUBJECT TO ARBITRATION SHALL BE ARBITRATED AGAINST THE OFFICERS, DIRECTORS OR EMPLOYEES OR AFFILIATES OF THE COMPANY.

SECTION XX
<u>TIMELY PERFORMANCE</u>

Area Developer hereby acknowledges that its timely development of the Stores in the Development Area in accordance with the Minimum Performance Schedule is of material importance to Franchisor and Area Developer. Area Developer agrees, as a condition of the continuance of the rights granted hereunder, to develop and open Stores within the Development Area in accordance with the Minimum Performance Schedule, to operate such Stores pursuant to the terms of the Franchise Agreements and to maintain all such Stores in operation continuously. A failure or delay in performance by any party to this Development Agreement shall not be a default hereunder if such failure or delay arises out of or results from a Force Majeure, which for purposes of this Development Agreement shall be defined as fire, flood, earthquake or other natural disasters, or acts of a public enemy, war, rebellion or sabotage.

SECTION XXI
<u>ACKNOWLEDGMENTS</u>

21.1 AREA DEVELOPER ACKNOWLEDGES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES SUBSTANTIAL BUSINESS RISKS AND WILL BE TOTALLY AND COMPLETELY DEPENDENT UPON THE ABILITY OF AREA DEVELOPER AS AN INDEPENDENT BUSINESS PERSON. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND AREA DEVELOPER ACKNOWLEDGES NOT HAVING RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

21.2 AREA DEVELOPER ACKNOWLEDGES HAVING RECEIVED, READ AND UNDERSTOOD THIS AGREEMENT, THE EXHIBITS ATTACHED HERETO AND AGREEMENTS RELATING HERETO, IF ANY, AND THE OFFERING CIRCULAR; AND FRANCHISOR HAS ACCORDED AREA DEVELOPER AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF AREA DEVELOPER'S OWN CHOOSING ABOUT THE POTENTIAL RISKS OF ENTERING INTO THIS AGREEMENT.

21.3 AREA DEVELOPER AND EACH OF ITS PRINCIPALS, IF A CORPORATION, EXPRESSLY ACKNOWLEDGE THAT NEITHER IT NOR THEY HAVE RELIED UPON ANY EARNINGS CLAIMS, SUCH AS ORAL OR WRITTEN STATEMENTS OR SUGGESTIONS, MADE BY ANY REPRESENTATIVE OF OR ANY OTHER PERSON PURPORTING TO BE ACTING ON BEHALF OF FRANCHISOR REGARDING THE POTENTIAL FUTURE SALES, REVENUES OR PROFITS WHICH MAY BE DERIVED FROM OPERATION

SECTION XXII
EFFECTIVE DATE

This Agreement shall be effective as of the date it is executed by both parties.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement in triplicate on the day and year first above written.

FRANCHISOR

By:_____________________________________
(Signature)

____
(Printed Name & Title)

AREA DEVELOPER:

By:_____________________________________
(Signature)

____
(Printed Name & Title)

CHURNED CREAMERY INTERNATIONAL, INC.

AREA DEVELOPMENT AGREEMENT

EXHIBIT "A"

Minimum Performance Schedule

The Agreement authorizes and obliges Area Developer to establish and operate the below number of Churned Creamery Stores pursuant to a Franchise Agreement for each Store. The following is Area Developer's Minimum Performance Schedule using 5 Stores as an example:

Store Number	Open & Operating On or Before	Payment	Due Date
1		$30,000	Paid in full Upon simultaneous Execution of Franchise Agreement for first Store, and Area Development Agreement.
2		$25,000	Paid in full Upon simultaneous Execution of Franchise Agreement for first Store, and Area Development Agreement.
3		$20,000	Paid in full Upon simultaneous Execution of Franchise Agreement for first Store, and Area Development Agreement.
4		$20,000	Paid in full Upon simultaneous Execution of Franchise Agreement for first Store, and Area Development Agreement.
5		$20,000	Paid in full Upon simultaneous Execution of Franchise Agreement for first Store, and Area Development Agreement.

AREA DEVELOPER:

____

By:______________________________

Title: ______________________________

Address:

____

____

Phone: ______________________________

Email: ______________________________

FRANCHISOR:

Churned Creamery International, Inc.

By:______________________________

Title: ______________________________

CHURNED CREAMERY INTERNATIONAL, INC.

AREA DEVELOPMENT AGREEMENT

EXHIBIT "B"

Development Area

The following describes the Development Area within which Area Developer may locate "Churned Creamery" Stores under this Agreement:

____

____

AREA DEVELOPER:	FRANCHISOR:
______________________________	Churned Creamery International, Inc.
By:____________________________	By:____________________________
Title:__________________________	Title: __________________________
Date: __________________________	Date: __________________________
By: ____________________________	
Title: __________________________	
Date: __________________________	

CHURNED CREAMERY INTERNATIONAL, INC.

TRAINING SCHEDULE

EXHIBIT "C"

____

____

AREA DEVELOPER:	FRANCHISOR:
____________________________	Churned Creamery, Inc.
By:__________________________	By:__________________________
Title:________________________	Title: ________________________
Date: ________________________	Date: ________________________
By: __________________________	
Title: ________________________	
Date: ________________________	

CHURNED CREAMERY INTERNATIONAL, INC.

AREA DEVELOPMENT AGREEMENT

EXHIBIT "D"

CERTIFICATION OF AREA DEVELOPER

The undersigned, personally and as an officer or partner of Area Developer, as applicable, does hereby certify that he has conducted an independent investigation of the business contemplated by this Area Development Agreement and the Franchisor Franchise Agreement, and that the decision to execute the Area Development Agreement was based entirely upon the independent investigation by the undersigned; and the undersigned further certifies that he has not relied upon, in any way, any claims regarding potential sales, income, or earnings to be derived from the business contemplated by the Franchise Agreement and Area Development Agreement, and has not relied upon any claims regarding past or current sales, income or earnings of Company-operated "Churned Creamery" Stores. The undersigned further certified that he understands the risks involved in this investment and Franchisor, LLC makes no representation or guaranty, explicit or implied that the Area Developer will be successful or will recoup his investment.

IN WITNESS WHEREOF, the undersigned has signed, sealed and delivered this Certificate this ____ day of_________, 20__.

AREA DEVELOPER:

____

By:___________________________________

Title:_________________________________

Date: ________________________________

By: __________________________________

Title: ________________________________

Date: ______________________________

EXHIBIT E

TABLE OF CONTENTS FOR CONFIDENTIAL OPERATING MANUAL

CHURNED CREAMERY INTERNATIONAL, INC.

EXHIBIT F

LIST OF CURRENT FRANCHISEES

Franchisee: Sam Lee
Cypress Village Plaza
9527 Valley View St.
Cypress, CA 90630
714-236-5272

Andrew Yun
Woodbury Town Center
6376 Irvine Blvd.
Irvine, CA 92620
949-333-2289

Franchisee: Peter Shin and Ellen Lee
California Oaks Plaza
40952 California Oaks Rd.
Murrieta, CA 92562
951-461-2043

Tuan Le and Leyna Nguyen
Union Market at The District
2493 Park Ave #21,
Tustin, CA 92782
714-203-5226

Franchisee: Shawn Yeh
Eastlake Village
20355 Yorba Linda Blvd.
Yorba Linda, CA 92886
714-485-2448

~~**Under Construction**~~

Franchisee: Peter Shin and Ellen Lee
Winchester Market Place
40695 Winchester Rd., Ste. C2
Temecula, CA 92591

Churned Creamery Sugar Land
Market at Town Center
2587 Town Center Blvd. Ste. A
Sugar Land, TX 77479

Under Construction

Churned Creamery Bird Road
8948 SW 40th Street
Miami, FL 33165

EXHIBIT G

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

~~Franchisee: Rubik Hartounian*~~ None
~~Westfield Topanga Mall~~
~~6600 Topanga Canyon Boulevard~~
~~Canoga Park, CA 91303~~
~~818-912-6968~~

*~~*As of May 1, 2018~~*

EXHIBIT H

FINANCIAL INFORMATION

CHURNED CREAMERY INTERNATIONAL, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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JANG & COMPANY
ACCOUNTANCY CORPORATION
WWW.JANGCPA.COM

Independent Auditor's Report

The Management and Board of Directors
of Churned Creamery International, Inc.

We have audited the accompanying financial statements of Churned Creamery International, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2018, and the related statements of income, changes in stockholders' equity, and cash flows for the year 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.

Auditors' 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 from 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 risk 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 Churned Creamery International, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Uncertainty Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 7 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Uncertainties Regarding the Future Outcome of Litigation

As discussed in Note 8 to the financial statements, the Company is involved in a lawsuit recently filed by a franchisee. Management and legal counsel for the Company are of the opinion that the legal action is without merit and that settlement of the action will not have a material effect on the Company's financial position. Nevertheless, it is at least reasonably possible that such an effect will occur, although the amount cannot be estimated. Settlement of the legal action is expected within some point in the near future. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The financial statements of Churned Creamery International, Inc. as of December 31, 2017, were audited by other auditors, whose report dated March 30, 2018, expressed an unmodified opinion on those statements.

Jang & Company

La Mirada, California
March 14, 2019

CHURNED CREAMERY INTERNATIONAL, INC.
BALANCE SHEETS
December 31, 2018 and 2017

		2018		2017
Assets				
Current assets				
Cash	$	998	$	-
Accounts receivable				
Trade		241,108		396,347
Due from franchisees		-		1,575
Inventory		43,320		68,887
Prepaid expenses		21,000		15,650
Total current assets		306,426		482,459
Property and equipment				
Furniture and fixtures		3,303		3,303
Less accumulated depreciation		(629)		(157)
Net property and equipment		2,674		3,146
Other assets				
Security deposits		-		2,265
Total assets	$	309,100	$	487,870

Liabilities and Stockholders' Deficiency

		2018		2017
Current liabilities				
Accounts payable	$	12,383	$	66,656
Accrued expenses		19,906		2,063
Marketing fund liabilities		18,446		4,694
Due to related party		-		17,763
Due to stockholders		1,894		9,600
Deferred franchise fees		275,000		305,000
Other current liabilities		1,500		36,295
Total current liabilities		329,129		436,571
Long-term debt, less current portion				
Notes payable to stockholders		-		430,000
Total liabilities		329,129		866,571
Stockholders' deficiency				
Common stock, no par value, 1,000,000 shares authorized, 531,485 shares issued and outstanding		471,485		20,000
Accumulated deficit		(491,514)		(398,701)
Total stockholders' deficiency		(20,029)		(378,701)
Total liabilities and stockholders' deficiency	$	309,100	$	487,870

See notes to financial statements.

CHURNED CREAMERY INTERNATIONAL, INC.
STATEMENTS OF INCOME
Year Ended December 31, 2018 and 2017

	2018	2017
Revenues	$ 146,427	$ 445,152
Cost of revenues	31,427	277,348
Gross profit	115,000	167,804
Operating expenses	238,446	361,568
Loss from operations	(123,446)	(193,764)
Other income		
Cancel of debt	31,433	-
Loss before income taxes	(92,013)	(193,764)
Income tax expense	800	800
Net loss	$ (92,813)	$ (194,564)

See notes to financial statements.

CHURNED CREAMERY INTERNATIONAL, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY
Year Ended December 31, 2018 and 2017

	Common stock	Accumulated deficit	Total stockholders' deficiency
Balance, January 1, 2017	$ 20,000	$ (204,137)	$ (184,137)
Net loss		(194,564)	(194,564)
Balance, December 31, 2017	20,000 #	(398,701) #	(378,701)
Common stock	451,485		451,485
Net loss		(92,813)	(92,813)
Balance, December 31, 2018	$ 471,485	$ (491,514)	$ (20,029)

See notes to financial statements.

CHURNED CREAMERY INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Net loss	$ (92,813)	$ (194,564)
Adjustments to reconcile net income to net cash used by operating activities		
Bad debt expenses	-	12,166
Depreciation	472	157
(Increase) decrease in:		
Accounts receivable	155,239	(361,948)
Inventory	25,567	246,673
Due from franchisees	1,575	(1,575)
Prepaid expenses	(5,350)	(15,000)
Security deposits	2,265	(2,265)
Increase (decrease) in		
Accounts payable	(54,273)	16,492
Accrued expenses	17,843	2,063
Marketing fund liabilities	13,752	4,694
Due to related party	(12,263)	-
Due to stockholders	(8,106)	10,000
Deferred franchise fees	(30,000)	275,000
Other current liabilities	(34,795)	2,249
Net cash used by operating activities	(20,887)	(5,858)
Cash Flows from investing activities		
Purchases of property and equipment	-	(3,303)
Cash flows from financing activities		
Debt reduction	(429,600)	(400)
Capital increase	451,485	-
Net cash provided (used) in financing activities	21,885	(400)
Net increase in cash	998	(9,561)
Cash at beginning of year	-	9,561
Cash at end of year	$ 998	$ -

See notes to financial statements.

CHURNED CREAMERY INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 - Nature of Activities and Significant Accounting Polices

Nature of Operations

Churned Creamery International, Inc. (the "Company") was incorporated on July 24, 2015 in California. The Company is in the business of franchising a system for the sale of handcrafted creamery ice cream, yogurt and flavored ice under the brand name of "Churned Creamery". The Company offers franchisees for the operation of franchise stores using the franchisor's own proprietary recipes, formulas, techniques, trade dress, trademark, and logos.

Franchise Operations

In general, the Company's franchise agreements provide for the payment of a franchise fee for each opened franchised location. Franchisees pay continuing fees of 7% of sales. The Company collects also marketing fees for regional/national media, which are based on 1.5% of sales. Subject to approval and payment of renewal fee, a franchisee may generally renew its agreement upon expiration. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

Initial franchise fees, which may be up to $30,000, are generally recognized when substantially all services or conditions relating to the franchise sale have been performed or satisfied by the Company. Services provided by the Company include assistance in site selection, personnel training, and implementation of an accounting and quality control system.

The franchise agreements presenting stores at December 31, 2018 are as follows.

	Number of Stores
At January 1, 2017	2
Stores opened	3
Stores closed	-
At December 31, 2017	5
Stores opened	2
Stores closed	
At December 31, 2018	7

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 amount of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during reporting period. Actual results could differ from those estimates.

Revenue Recognition

Sales are recognized when revenue is realized or becomes realizable and has been earned. In general,

CHURNED CREAMERY INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

revenue of franchise fees are recognized when the Company fulfills its initial obligations per franchisee agreement and the franchisee starts operation. The revenue from sales of equipment and product is recognized when shipment is shipped to customer. Royalty income is recognized as franchisees' sales are reported through electronic sales report system on a weekly basis.

Cash

Cash includes highly-liquid investments with initial maturities of three months or less when purchased.

Accounts Receivable

Accounts receivable are recorded net of an allowance for doubtful accounts. No interest is charged on these accounts. The allowance is estimated based on historical performance and current economic conditions. Losses are charged to the reserve when management deems further collection efforts will not produce additional recoveries. Periodically, management evaluates that accounts and writes off any amounts considered uncollectible. At December 31, 2018 and 2017, the allowance for doubtful accounts were $4,332 and $27,166, respectively.

Inventory

Inventory consists of supplies and equipment and is valued at the lower of cost or market, with cost determined under the first-in, first-out (FIFO) method. As of December 2018, inventory shrinkage of $24,520 was included in the inventory valuation.

Property and Equipment

Property and equipment are stated at cost. Depreciation of furniture and equipment is computed on the straight-line method over the estimated useful lives of the related assets.

The useful lives of property and equipment for purposes of computing depreciation are:

Furniture and fixtures	7 years

Expenditures, which enhance the value or materially extend the useful life of the related assets, are capitalized as additions to property and equipment.

Depreciation expenses for the year ended December 31, 2018 and 2017 were $472 and $157, respectively.

Marketing and Advertising Expenses

Marketing and advertising costs are expensed when they are incurred, and were $4,809 and $39,914 for the year ended December 31, 2018 and 2017, respectively.

CHURNED CREAMERY INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporate income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Presentation of sales taxes

The State of California imposes a sales tax of varying rates on all of the Company's sales to nonexempt customers. The Company collects that sales tax from customers and remits it to the State. The Company's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

NOTE 2 – Notes Payable to Stockholder

The Company has a note payable to its stockholder with principal due on demand in February 2016. The interest rate is 2.32%. As of December 31, 2017, the outstanding balance was 430,000. In June 30, 2018, the Company entered into an agreement with the stockholder to convert the note to capital. The total outstanding balance of principal and interest unpaid was converted into shares of Common Stock at a conversion price of one dollar ($1.00) per share.

NOTE 3 - Franchise Fee Revenues

Significant commitments and obligations resulting from franchise agreements, including a description of the services. Installment or cost recovery method was used to account for franchise fee revenue. It is probable that initial franchise fee revenue will decline in the future because sales will reach a saturation point. Number of franchisee locations opened in 2018 was 2.

Deferred franchise fees of $275,000 and $305,000 were included in current liabilities at December 31, 2018 and 2017, respectively, and represent initial franchise fees received from franchises that have yet to be earned.

NOTE 4 - Related Party Transactions

The Company has conducted the following routine business transactions with an affiliated company:

	2018	2017
Sales	$ 127	$ 293,373
Due to	-	12,263
Accounts receivable	110,290	207,290
Accounts payable	11,200	26,425

CHURNED CREAMERY INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 - Lease Commitments

The Company leases its office and warehouse space from related party under 36 months operating lease commencing on January 1, 2020 and terminating on January 1, 2023, which requires monthly rent payments. Until the commencing date, free rent is allowed to the Company by the landlord. The rent payments for the year ended December 31, 2017 and 2018 were $19,299 and $10,833, respectively.

Year ending December 31	Amount	
2019	$	0
2020		18,000
2021		18,000
2022		18,000
	$	54,000

NOTE 6 - Capital Stock

The Company's total number of authorized shares is 1,000,000 shares. The Company issued 80,000 ordinary shares as of December 31, 2017. During the 2018, the company issued additionally 451,485 ordinary shares for conversion of note to the stockholder. Total par value of the shares issued is $471,485.

NOTE 7 - Going Concern

As shown in the accompanying financial statements, the Company incurred a net loss of $92,813 and $194,564 during the years ended December 31, 2018 and 2017, respectively. And as of December 31, 2018, the Company's current liabilities exceeded its current assets by $20,809 and its total liabilities exceeded its total assets by $18,135. Those factors create an uncertainty about the Company's ability to continue as a going concern. Management of the Company is developing a plan to reduce its liabilities through issuance of additional stock to stockholders. The ability of the Company to continue as a going concern is dependent on the plan's success. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 8 - Contingencies

The Company is involved in a lawsuit recently filed by a franchisee. The Company's position is that plaintiff's claims are baseless, have not been pled in conformity of law and practice, and barred by the statute of limitations, and the Company intends to vigorously defend. There is currently a Demurrer filed on behalf of the Company with a hearing date of April, 29, 2019. Management and legal counsel for the Company expect this case to be settled at some point in the near future, since it is seemingly a groundless and meritless case; this will settle, with no funds being paid by the Company, other that it's defense costs.

CHURNED CREAMERY INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9 - Subsequent Events

Subsequent events were evaluated through March 14, 2019, which is the date the financial statements were available to be issued. As of February 27, 2019, subsequent raising additional equity capital by the stockholder amounted to $70,000.

CHURNED CREAMERY INTERNATIONAL, INC.

FINANCIAL STATEMENTS

December 31, 2017 and 2016

CHURNED CREAMERY INTERNATIONAL, INC.
FINANCIAL STATEMENTS
December 31, 2017 and 2016

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CKP, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
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Los Angeles, CA 90010
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IRVINE, CA
MONTGOMERY, AL
LAGRANGE, GA
FORT LEE, NJ

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Churned Creamery International, Inc.
Yorba Linda, California

Report on the Financial Statements
We have audited the accompanying financial statements of Churned Creamery International, Inc. (the Company), which comprise the balance sheet as of December 31, 2017, the related statement of operations, changes in stockholders' deficiency and cash flows for the year 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 from 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.

CKP

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Churned Creamery International, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of the Company, as of and for the year ended December 31, 2016, were audited by other auditors, whose report, dated May 16, 2017, expressed an unmodified opinion on those statements.

CKP, LLP

March 30, 2018

CHURNED CREAMERY INTERNATIONAL, INC.
BALANCE SHEETS
DECEMBER 31, 2017 and 2016

ASSETS

	2017	2016
Current assets:		
Cash	$ -	$ 9,561
Accounts receivable, net	396,347	46,565
Inventory	68,887	315,560
Due from franchisees	1,575	-
Prepaid expenses	15,650	650
Total current assets	482,459	372,336
Property and equipment:		
Furniture and fixtures	3,303	-
Less: accumulated depreciation	(157)	-
Net property and equipment	3,146	-
Other asset:		
Security deposit	2,265	-
Total assets	$ 487,870	$ 372,336

See auditors' report and accompanying notes to financial statements

CHURNED CREAMERY INTERNATIONAL, INC.
BALANCE SHEETS
DECEMBER 31, 2017 and 2016

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

	2017	2016
Current liabilities:		
Accounts payable	$ 66,656	$ 50,164
Accrued expenses	2,063	34,046
Marketing fund liabilities	4,694	-
Due to related parties	12,263	12,263
Due to stockholders	10,000	-
Deferred franchise fees	305,000	30,000
Other current liabilities	36,295	-
Total current liabilities	436,971	126,473
Notes payable to stockholder	429,600	430,000
Total liabilities	866,571	556,473
Commitments and contingencies	-	-
Stockholders' deficiency:		
Common stock - $0.001 par value, 100,000 shares authorized, 80,000 shares issued and outstanding	20,000	20,000
Accumulated deficit	(398,701)	(204,137)
Total stockholders' deficiency	(378,701)	(184,137)
Total liabilities and stockholders' deficiency	$ 487,870	$ 372,336

See auditors' report and accompanying notes to financial statements

CHURNED CREAMERY INTERNATIONAL, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2017 and 2016

	2017	2016
Net revenue	$ 445,152	$ 320,600
Cost of revenue	277,348	157,895
Gross profit	167,804	162,705
Operating expenses	361,568	350,544
Loss from operations	(193,764)	(187,839)
Other expense:		
Interest expense	-	(16,229)
Net other expense	-	(16,229)
Loss before income taxes	(193,764)	(204,068)
Income taxes	800	-
Net loss	$ (194,564)	$ (204,068)

See auditors' report and accompanying notes to financial statements

CHURNED CREAMERY INTERNATIONAL, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY
YEARS ENDED DECEMBER 31, 2017 and 2016

	Shares	Amount	Accumulated deficit	Total stockholders' deficiency
Balance at January 1, 2016	80,000	$ 20,000	$ (69)	$ 19,931
Net loss	-	-	(204,068)	(204,068)
Balance at December 31, 2016	80,000	20,000	(204,137)	(184,137)
Net loss	-	-	(194,564)	(194,564)
Balance at December 31, 2017	80,000	$ 20,000	$ (398,701)	$ (378,701)

See auditors' report and accompanying notes to financial statements

CHURNED CREAMERY INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Net loss	$ (194,564)	$ (204,068)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expenses	12,166	58,645
Depreciation expense	157	-
Amortization expense	-	516
(Increase) decrease in:		
Accounts receivable	(361,948)	(61,565)
Inventory	246,673	(315,560)
Due from franchisees	(1,575)	-
Prepaid expenses	(15,000)	12,355
Security deposit	(2,265)	-
Increase (decrease) in:		
Accounts payable	16,492	25,105
Accrued expenses	2,063	34,046
Marketing fund liabilities	4,694	-
Due to stockholders	10,000	-
Deferred franchise fees	275,000	30,000
Other current liabilities	2,249	-
Total adjustments	188,706	(216,458)
Net cash used in operating activities	(5,858)	(420,526)

(continued)

CHURNED CREAMERY INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 and 2016

	2017	2016
Cash Flows from Investing Activities:		
Purchases of property and equipment	(3,303)	-
Net cash used in investing activities	(3,303)	-
Cash Flows from Financing Activities:		
Net borrowings from (payments on) stockholder	(400)	430,000
Payments on notes payable	-	(12,262)
Net cash provided by financing activities	(400)	417,738
Net decrease in cash	(9,561)	(2,788)
Cash at beginning of year	9,561	12,349
Cash at end of year	$ -	$ 9,561
Supplemental Disclosures:		
Cash paid during the years for:		
Income taxes	$ 800	$ -

See auditors' report and accompanying notes to financial statements

CHURNED CREAMERY INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and Nature of Business

Churned Creamery International, Inc. (the "Company"), incorporated in California on July 24, 2015, is primarily engaged in franchise operations to authorize and manage franchises sold by the Company. The Company gives the right to its franchisees to operate franchise stores that specialize in sale of handcrafted ice cream and complementary beverages under the brand name "Churned Creamery".

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for the integrity and objectivity of these statements and notes. These accounting policies conform to Accounting Principles Generally Accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Franchise Operations

Under the franchise agreement, a franchisee is required to pay a non-refundable franchise fee, ranging from $20,000 to $30,000. In addition, franchisee pays 7% of gross sales as royalties to the Company. Franchise agreements generally have an initial term of ten years and franchisee will have the right to extend the term of agreement for another ten years.

The franchise agreements representing opened stores at December 31, 2017 are as follows:

	Number of Stores
At January 1, 2016	1
Stores opened	1
Stores closed	-
At December 31, 2016	2
Stores opened	4
Stores closed	-
At December 31, 2017	6

Additionally, there were 13 franchise agreements representing unopened stores at December 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and certain financial statement disclosures. Significant estimates in these financial statements have been made for allowance for doubtful accounts, depreciation of property and equipment, and amortization. Actual results could differ from those estimates.

Cash

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be categorized as cash and cash equivalents.

CHURNED CREAMERY INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company recognizes revenue from sales of equipment and product when shipment is shipped to customers. In addition, the Company recognizes franchise fees when the Company fulfills its initial obligations per franchisee agreement and the franchisee starts operation. Royalty income is recognized as franchisees' sales are reported through electronic sales report system on a weekly basis.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is computed based on the Company's historical experience and management's analysis of possible bad debts. The Company performs ongoing credit evaluations of its customers to estimate potential credit losses. The allowances for doubtful accounts for trade accounts receivable as of December 31, 2017 and 2016 were $27,166 and $15,000, respectively.

Inventory

Inventory consists principally of supplies and equipment and is stated at the lower of cost or market, and cost is determined by the first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost and straight-line method is used to calculate depreciation over the following estimated useful lives:

Furniture and fixture	7 years

Expenditures, which enhance the value or materially extend the useful life of the related assets, are capitalized as additions to property and equipment.

Total depreciation expenses were $157 and $0 for the year ended December 31, 2017 and 2016, respectively.

Fair Value of Financial Instruments

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 820, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosures about fair value measurements. The guidance clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exist, therefore requiring an entity to develop its own assumptions.

CHURNED CREAMERY INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

The Company's financial instruments, including cash, accounts receivable, due from franchisees, prepaid commissions, other current assets, accounts payable, accrued expenses, marketing fund liabilities, due to related parties and deferred franchise fee are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

Deferred Franchise Fees

Deferred franchise fees of $305,000 and $30,000 are included in current liabilities at December 31, 2017 and 2016, respectively, and represent initial franchise fees received from franchisees that have yet to be earned.

Marketing and Advertising Expenses

Marketing and advertising costs are expensed as incurred. Marketing and advertising expenses were $39,914 and $64,900 for the year ended December 31, 2017 and 2016, respectively.

Income Taxes

The Company, with consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporate income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

The Company accounts for uncertainties in income tax law under a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns as prescribed by Generally Accepted Accounting Principles. The tax effects of a position are recognized only if it is more-likely-than-not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being sustained. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. As of December 31, 2017, the Company had not recorded any liability for uncertain tax positions.

Reclassifications to the Prior Year Financial Statements

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. This has resulted in no changes to the balance sheet, net loss or accumulated deficit of the Company.

CHURNED CREAMERY INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 is amended by ASU No. 2015-14, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-11, ASU No. 2016-12, ASU No. 2016-20, ASU No. 2017-10 and ASU No. 2017-13, which FASB issued in August 2015, March 2016, April 2016, May 2016, December 2016, May 2017 and September 2017, respectively (collectively the "amended ASU No. 2014-09"). The amended ASU No. 2014-09 provides a single comprehensive model for the recognition of revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. It requires an entity to recognize revenue when the entity transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amended ASU No. 2014-09 creates a five-step model that requires entities to exercise judgment when considering the terms of contract(s), which includes (1) identifying the contract(s) with the customer, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations, and (5) recognizing revenue as each performance obligation is satisfied. The amended ASU No. 2014-09 requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. For non-public entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Company is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

Note 3 - Related Party Transactions

The Company conducts its business with the related parties. The Company's transactions and balances with the related parties as of and for the year ended December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Sales	$ 293,373	$ 53,000
Due to	12,263	12,263
Accounts receivable	207,290	1,965
Accounts payable	26,425	33,000

CHURNED CREAMERY INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

Note 4 - Commitments and Contingencies

Operating Lease

On March 15, 2017, the Company entered into an office lease agreement from non-affiliate, with a term ending on March 31, 2020. Future minimum rental payments under the lease are as follows:

Years ending December 31,	Amount	
2018	$	25,944
2019		26,391
2020		6,795
Total	$	59,130

The Company recorded rent expenses of $19,229 and $10,507 for the year ended December 31, 2017 and 2016, respectively.

Litigation

In the ordinary course of business, the Company may become involved in claims and legal actions and these proceedings may have an impact on the financial statements for a particular period. As of December 31, 2017, the Company does not have any pending legal actions.

Note 5 - Notes payable to Stockholder

The Company entered into a loan agreement with one of its stockholder in February 2016 with principal due on demand. As of December 31, 2017 and 2016, the outstanding balance was $429,600 and $430,000, respectively. Total interest expense was $0 and $16,229 for the years ended December 31, 2017 and 2016, respectively.

Note 6 - Subsequent Events

The Company has evaluated all subsequent events from the balance sheet date through March 30, 2018, the date at which the financial statements were available to be issued. The Company has determined that there are no subsequent events that require disclosure under FASB ASC Topic 855, *Subsequent Event.*

RECEIPT

(Retain This Copy for your Records)

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT, THE AREA DEVELOPMENT AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF CHURNED CREAMERY INTERNATIONAL, INC. OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR-DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

IF CHURNED CREAMERY INTERNATIONAL, INC. DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE STATE ADMINISTRATORS LISTED IN EXHIBIT A.

The sellers of Churned Creamery franchise are:
Devon Conner: 28120 Peacock Ridge Dr., #403, Rancho Palos Verdes, CA 90275 PH 312-415-9581
Amy Hsiao 4701 Teller Ave. #102 Newport Beach, CA 92660 949-278-8280

Date of Issuance: ~~March 30, 2018~~ March 14, 2019

I have received a disclosure document dated ~~March 30, 2018~~ March 14, 2019 that included the following Exhibits:

A. State Administrators/Agents for Service of Process
B. State Specific Addendum
C. Franchise Agreement and Exhibits
D. Area Development Agreement and Exhibits
E. Table of Contents of Confidential Operating Manual
F. List of Franchisees
G. List of Franchisees Who Have Left the System
H. Financial Statements

Dated:______________________________ ____
Prospective Franchisee

____
Print Name

Dated:______________________________ ____
Prospective Franchisee

____
Print Name

RECEIPT

(RETURN TO US)

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