FRANCHISE DISCLOSURE DOCUMENT

CREAM, Inc.
A California Corporation
1799 El Camino Real
Millbrae, California 94030
(650) 754-6640
www.creamnation.com

The franchisee will operate a single CREAM custom frozen dessert, cookie, and ice cream sandwich shop (a "CREAM Business") in accordance with Franchisor's then-current form of franchise agreement ("Franchise Agreement"). The estimated initial investment required for the establishment of a CREAM Business ranges from $251,700 to $380,600, which includes $30,000 that must be paid to franchisor or its affiliates prior to opening.

We offer qualified parties the right to open and operate multiple CREAM Businesses in accordance with a development schedule the parties agree to under Franchisor's form of development agreement ("Development Agreement"). The total investment necessary to begin operations under a Development Agreement will depend on the number of CREAM Businesses we grant you the right to open. By way of example, the total investment necessary to begin operations under a Development Agreement for the right to open and operate three (3) CREAM Businesses is $343,700 to $474,600, which includes $90,000 that must be paid to the franchisor or its affiliates. This estimate includes the appropriate development fee you must pay to franchisor upon execution of the Development Agreement, as well as the total estimated initial investment to open and commence operations of your first CREAM Business.

We may also offer qualified parties the right to operate a CREAM Business at large public entertainment venues or other non-traditional venues, such as sports stadiums and airports. The estimated initial investment will vary greatly depending upon the Non-Traditional Venue and the location of the CREAM Business within the Non-Traditional Venue, although we believe the initial investment will be below the range of initial investment for a traditional CREAM Business. The initial payments to us or our affiliates prior to opening will range from $0 to $30,000.

This disclosure document summarizes certain provisions of your franchise agreement, development 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 corporate office at CREAM, Inc. at 1799 El Camino Real, Millbrae, California 94030 and (650) 754-6640.

The terms of your Franchise Agreement and Development Agreement will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contracts. 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. The Issue Date of this Disclosure Document ("FDD") is: June 15, 2020.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and development agreement require you to resolve disputes with the franchisor by mediation and/or litigation only in California. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in California than in your own state.

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

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Exhibits

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSOR & AFFILIATES

To simplify the language in this Disclosure Document, “We” or “Our” means CREAM, Inc., the franchisor. “You” or “Your” means the person who buys the franchise. “CREAM” means the service mark you use in operating the franchise.

Franchisor’s Business Activities

We are a California corporation formed on March 15, 2011 with a principal business address of 1799 El Camino Real, Millbrae, California 94030. We do business under our corporate name and variations of that name. We do not own or operate any Businesses, engage in any other business, nor have we offered franchises in any other line of business.

Our agents for service of process are listed in **Exhibit F.**

Parents, Predecessors, and Affiliates

Since December 2010, our predecessor, Jimmy Shamieh (“Predecessor”) has owned and operated a CREAM custom frozen dessert, cookie, and ice cream sandwich shop at 2399 Telegraph Avenue, Berkeley, California similar to the CREAM Business we offer under this Disclosure Document. Our Predecessor’s address is 15 Bertocchi Lane, Millbrae, California 94030. Other than what is listed above, we have no parents, predecessors or affiliates.

The Franchised Business

We offer franchises for the establishment, development, and operation of CREAM Businesses that offer customers customized cookie and ice cream items, all prepared in accordance with our exclusive recipes and unique standards and specifications for food preparation. The proprietary characteristics of CREAM Businesses and our franchise system include, without limitation, our proprietary recipes and menu of family favorites; uniform standard and specifications for food preparation and presentation; recognized designs, décor, and color schemes; distinctive specifications for furniture, fixtures, equipment; sales techniques; merchandising, marketing, advertising, and inventory management systems; and other general procedures for operating and managing a CREAM Business (“System”).

A CREAM Business will operate under the proprietary mark CREAM Cookies Rule Everything Around Me® (word and design marks) and associated marks that we now and in the future may designate as part of the System (collectively, the “Marks”). You will operate your CREAM Business from an approved location (the “Premises”), which will be located in an exclusive territory (the “Territory”) and pursuant to the terms and obligations of our current-form of Franchise Agreement attached hereto as **Exhibit B**.

Development Agreement

In addition to granting franchises for the operation of a single CREAM Business, we offer qualified individuals the right to open at least three (3) CREAM Businesses in a designated area (“Development Area”) through a Development Agreement attached as **Exhibit C**. The total investment necessary to begin operation under a Development Agreement will vary depending upon the number of CREAM Businesses we agree you will open in your Development Area. You must pay us a Development Fee equal to $30,000 multiplied times the number of CREAM Businesses we grant you the right to open within your Development Area ("Development Fee"). As a developer, you will be required to open and operate a specified number of CREAM Businesses within a series of time periods listed in a table in your Development Agreement (the "Development Schedule").

Area Representative Business

We entered into one very distinct and heavily negotiated form of agreement where an entity would act as our "Area Representative" by providing some of our obligations listed in this Item 11 and soliciting prospective franchisees in their territory. The agreement was tailored to the specific situation. The agreement was signed for the territory of Florida. We no longer offer area representative businesses and we have no plans to do so in the future.

Non-Traditional Venues

We may enter into agreements (Non-Traditional Venue Agreements) for the operation of CREAM Businesses at large public entertainment venues or other non-traditional venues, like stadiums and airports ("Non-Traditional Venues"), to sell certain approved products for a fee based on sales. CREAM Businesses located in Non-Traditional Venues will have a smaller footprint and menu offerings than traditional CREAM Businesses. Our current-form of Non-Traditional Venue Agreement is attached hereto as **Exhibit I**. We currently have 3 CREAM Businesses in operation in Non-Traditional Venues. The first (consistent of two carts), is corporately owned and located at Oracle Park in San Francisco, California. The second (consistent of two facilities) is operated by a third-party vendor and is located in the Ted Stevens Anchorage International Airport in Anchorage, Alaska. The third is operated by a franchisee and is located in the SAP Center in San Jose, California.

Market & Competitive Factors

The targeted market for a CREAM Business is comprised of consumers who desire frozen dessert products. You will be competing with other chains and independent businesses that sell frozen desserts, including specialty shops and grocery chains. We offer several gluten-free products targeted towards customers who have certain dietary restrictions. Your competitive advantage in the marketplace will be based on your adherence to our standards and guidelines, as well as your entrepreneurial and managerial abilities and focus on customer service in the operation of the CREAM Business.

The success of your CREAM Business will depend on your individual business abilities. You will establish your own business and be subject to the risks associated with any business, including operating proficiency and general business understanding. The general market described above is still developing. The market is year round but can be especially strong in hotter weather and less so in adverse weather conditions.

Industry-Specific Regulations

Your Business will be subject to laws and regulations in your state, county, or municipality regarding the operation of a food service business, including laws and regulations relating to the preparation and dispensation of food products, food labeling, weights and measurement, occupational hazards and health laws, sanitation laws, and consumer protection laws.

You will also be subject to laws or regulations that are not specific to the food service industry, but applicable to businesses in general, including zoning laws, labor laws and the Fair Labor Standards Act, workers' compensation laws, business licensing laws, tax regulations, and the Americans with Disabilities Act. You are advised to examine these laws and regulations before purchasing a franchise from us.

Please be advised that you must investigate and comply with all of these applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations despite any advice or information that we may give you. We have not researched any of these laws to determine their applicability to your CREAM Business.

ITEM 2
BUSINESS EXPERIENCE

Jimmy Shamieh: Founder and Chief Executive Officer
Since March 2011, Mr. Shamieh has been our Founder and Chief Executive Officer in Millbrae, California. Since December 2010, Jimmy has also been the Founder and Owner of the sole proprietorship, CREAM Business in Berkeley, California.

Gus Shamieh: President
Since November 2015, Mr. Shamieh served as our President in Millbrae, California. Mr. Shamieh was a student from August 2013 to May 2016 at Northwestern University Law School in Chicago, Illinois. From to March 2015 to November 2015, Mr. Shamieh served as our Co-President in Millbrae, California.

Shayla Moore: Director of Marketing and Communications
Since July 2016, Ms. Moore has been part of our Marketing Team in Millbrae, California. Ms. Moore attended a Master's program at University of Southern California in Los Angeles from January 2014 to August of 2015. From November 2013 to February 2016, Ms. Moore worked as a volunteer with the San Jose Sports Authority in Event Planning and Volunteer Management.

Jackie Smith: Director of Catering and Fundraising
Since August 2018, Mrs. Smith has been our Director of Catering and Fundraising in Millbrae, California. From March 2017 to August 2018, Mrs. Smith worked as a Marketing Manager at McDonald's in Walnut Creek, California. From December 2010 to March 2017, she worked as a Marketing Manager at Togo's Eateries in San Jose, California.

Wafa Shamieh: Director of Product Development
Since March 2015, Mrs. Shamieh has been our Director of Product Development in Millbrae, California. From March 2011 to March 2015, Mrs. Shamieh served as our Director of Field Support in Millbrae, California.

Kathy Falabella: Marketing Coordinator
Since June 2019, Ms. Falabella has been part of our Marketing Team in Millbrae, California. From February 2019 to June 2019, Ms. Falabella worked as an Administrative Assistant for Wine By Air International in South San Francisco, California. From September 2018 to February 2019, she was between jobs. From September 1994 to September 2018, she worked in various roles at Jameco Electronics in Belmont, California with her final position being Senior Programs Manager.

ITEM 3
LITIGATION

Flexpand, LLC v. CREAM, Inc., Jamal Shamieh, U.S. District Court, N.D. Cal., Case No. 19-cv-00878-SBA (filed 2/19/19). This is a lawsuit filed by our area representative for certain counties in South Florida alleging, among other things, that the defendants made fraudulent representations in connection with an area representative agreement entered into January of 2015, including, misrepresentations concerning CREAM's exclusive rights to the CREAM trademark and the viability of the business model for CREAM franchises. The complaint further alleges that we breached the franchise agreement by delivering defective products and equipment and by misuse of advertising funds, that we made improper financial disclosures that violate the duty of good faith and fair dealing and that we failed to pay for certain consulting services provided to us. The plaintiffs seek unspecified compensatory and punitive damages against the defendants, interest and other relief that the courts determine just and proper. On or about April 2, 2019, the defendants filed a motion to dismiss the complaint which is currently pending before the court. The defendants deny the allegations and intend to vigorously defend against these claims and the case is otherwise in the pre-trial stages.

Other than the above, no further litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Franchise Agreement

Franchise Fee

You must pay us a $30,000 franchise fee in full when you sign your Franchise Agreement ("Franchise Fee"). Except as provided in this Item, the Franchise Fee is uniformly imposed and deemed fully earned upon payment. Additionally, the Franchise Fee is non-refundable under any circumstances.

Non-Traditional Venue Agreement

Initial Fee

We may charge an initial fee under our Non-Traditional Venue Agreement. The fee will range from $0 to 30,000 depending upon the Non-Traditional Venue in which the CREAM Business is located and the term of the Agreement. If we charge an initial fee, the initial fee will be non-refundable.

Development Agreement

Development Fee

You must pay us the development fee set forth in the Data Sheet (the "Development Fee") which will be in an amount equal to $30,000 times the number of CREAM Businesses you are obligated to open under the Development Agreement. If you are opening five (5) or less CREAM Businesses, the full Development Fee will be due and payable upon the execution of the Development Agreement. If you are opening six (6) or more CREAM Businesses, the Development Fee will be paid as follows: (i) $150,000 for the first five (5) CREAM Businesses plus $15,000 times the number of CREAM Businesses that exceed five (5) which must be paid in a lump sum upon the execution of the Development Agreement; and (ii) the remaining $15,000 due for each CREAM Business must be paid upon the execution of the franchise agreement for such CREAM Business following the first five (5) CREAM Businesses opened under the Development Agreement. For example, the Development Fee would be calculated as follows:

Number of Businesses	Development Fee
3	$90,000
4	$120,000
5	$150,000
6	$165,000
10	$225,000

The Development Fee is deemed fully earned upon execution of your Development Agreement, and is not refundable under any circumstances. Upon payment of your Development Fee, you will not be required to pay any additional Franchise Fee under our then-current form of Franchise Agreement(s) that you must enter into for each Business you are required to open under the Development Agreement. If you are opening six (6) or more CREAM Businesses and you fail to comply with the Development Schedule and fail to remedy any default within the cure period provided in Section 6.2 of the Development Agreement, the remainder of the Development Fee will become immediately due and payable.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	The greater of: (i) 6% of Gross Sales; or (ii) $2,000 per month[1]	Due no later than the 7th day of each month for the previous month's Gross Sales	You must pay to us a monthly royalty equal to the greater of $2,000 or six percent (6%) of Gross Sales (as defined in subparagraph (b) below), via electronic funds transfer on or before the 7th day of each month based on the Gross Sales of your Business for the preceding calendar month, beginning on the eighth month following execution of the Franchise Agreement or the date of opening the CREAM Business, whichever occurs first. "Gross Sales" includes the aggregate amount of all charges for custom frozen dessert, cookie, and ice cream sandwich products, and any other products or services authorized by us for sale and supplies (defined in accordance with the accounting practices and procedures as specified by us), and all other receipts of any kind of income or revenue you derived directly or indirectly from the operation of the Business (including any sales derived from catering orders), but excluding the amount of all sales, use, gross receipts and other taxes specifically added to sales prices and collected from customers.
CREAM Brand Fund Contribution	2% of Gross Sales	Monthly	We have established a brand fund (the "CREAM Brand Fund") to develop, produce, and distribute national, regional and/or local advertising and to create advertising materials and public relations materials which promote, in our sole judgment, the services offered by the Businesses and the System. We have the right to require you to participate in and contribute monthly to the CREAM Brand Fund for your Business, in the amount of 2% of your Gross Sales (the "CREAM Brand Fund Contribution") in the manner we prescribe. If we require you to contribute to a CREAM Brand Fund, you must pay the CREAM Brand Fund Contribution in the same manner as the Royalty fees due under the Franchise Agreement. Typically, CREAM Businesses in Non-Traditional Venues do not pay CREAM Brand Fund Contributions.
Local Advertising	1.5% of Gross Sales of Business	Monthly in accordance with an annual plan and our standards and specifications	In addition to the CREAM Brand Fund Contribution, we will require you to spend a minimum of one-and-a-half percent (1.5%) of Gross Sales monthly on local advertising in accordance with an annual local marketing plan developed by us (the "Local Advertising Requirement"). You may spend any additional sums you wish on local advertising. You must obtain our written approval before the first publication or use of any self-generated advertising materials. You must send us proof of these expenditures along with your Gross Sales Report.

Type of Fee	Amount	Due Date	Remarks
Regional Advertising Cooperative	An amount determined by a majority of Cooperative members	Monthly in the manner required by the Cooperative	We have the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative for the Business ("Cooperative"), and to determine whether you must participate in a Cooperative. You will not receive credit for Cooperative contributions against the Local Advertising Requirement and we reserve the right to increase this contribution in our discretion.
Late Payment Charge	$100 plus interest at 10% or highest lawful interest rate for commercial transactions	On receipt of past due invoice	If any payment is overdue, you must pay us, in addition to the overdue amount, a late charge equal to ten percent (10%) of the overdue amount.
Late Payment	$100 plus interest at 18% or highest lawful interest rate for commercial transactions	As incurred	If payment to us is overdue, you must pay to us interest on the overdue amount until paid at the rate of the of the lesser of 18% per annum or the highest rate permitted by law, plus a late charge of $100 per occurrence. Interest and late charges are also due if there are insufficient funds in your bank account to cover any amounts due us. We may also suspend services and benefits.
Repeat Training or New Manager Training Fee	Then-current training fee, which is currently $2,000	Payable before the training starts.	If you (or your trainees) do not pass all segments of our training program, you ask us to train a new manager, or your new manager is not adequately trained, you must pay our then-current training fee for this subsequent training in addition to all travel, wage, and living expenses for the attendees.
Transfer Fee	$7,500	At least 30 days before transfer	You must meet various other conditions to obtain our approval to transfer the Business.
Consulting Fee	Then-current hourly fee	On receipt of invoice.	Only payable if you request additional support or on site assistance. Our current rate is $50 per hour with a 4-hour minimum, plus travel expenses.
Audit Expenses	Cost of audit and/or inspection	On receipt of invoice	If we audit you and the audit shows a two percent (2%) or more understatement in any fees due us, you must pay the cost of our audit in addition to the overdue amount.
Record Keeping Default Fees	$50.00 per day	On receipt of invoice	If any report is not submitted by you pursuant to Section 10.1 of the Franchise Agreement, you may be charged a fee of $50.00 per day until such report is submitted.
Renewal Fee	$3,000	Upon signing the Renewal Franchise Agreement.	There are various other conditions you must meet in order to renew your Franchise Agreement.
Indemnification	Amount of claim or judgment	When incurred	Only payable if a third party brings a claim against us and you are responsible.

Type of Fee	Amount	Due Date	Remarks
Liquidated Damages	$100 per day for each day you fail to comply	When incurred	You must immediately discontinue the use of Marks, including all interior and exterior signs bearing the Marks. Failure to do so will result in a fee of $100 per day for every day you fail to comply.
Approved Supplier, etc. Evaluation & Testing Fee	Cost of our evaluation and testing, which is currently $50 per hour	As incurred	An advance retainer will be required. Payable only if you want us to add a new supplier to our approved supplier list or you want to offer unapproved services or products.
Insurance	Cost of insurance. If you fail to maintain your insurance as required, there is an 18% administrative cost charge if we exercise our right to procure your insurance.	As required by insurer or broker	During the term of the Franchise Agreement, you must obtain and maintain at your expense the types and amounts of insurance specified in our operations manual, which may change periodically. If you fail to comply with our minimum insurance requirements, we have the right to obtain and maintain the requisite insurance coverage at your sole expense. You must pay us the premium cost of the insurance plus an administrative cost equal to eighteen percent (18%) of the cost for obtaining insurance on your behalf. We have the right to increase or otherwise modify the minimum insurance requirements upon 30 days' prior written notice to you, and you must comply with any such modification within the time specified in the notice. You must add us to all insurance contracts as an additional insured under the insurance policies at your expense.
Taxes on Payments to Us	Amount of tax or assessment	When imposed by taxing authority	If any taxing authority, wherever located, imposes any future tax, levy or assessment on any payment you make to us, in addition to all payments due us, you must pay the tax, levy or assessment.
Post-Termination and Post-Expiration Expenses	Costs and expenses associated with your ceasing of and de-identification with the business	When incurred	Upon termination of the Franchise Agreement by either us or you, regardless of the cause, and upon expiration and nonrenewal or transfer of the Franchise Agreement, you must pay all costs and expenses associated with your ceasing operation of the Business and de-identifying yourself with the System.
Financial Records and Reports	Cost of preparing Gross Sales Reports and other reports required by us	As required by bookkeeper and/or certified public accountant	For seven (7) years, you must maintain and preserve at the Premises full, complete and accurate books, records and accounts of the Business, and supporting data, all in accordance with generally accepted accounting principles and utilizing accounting records, point-of-sale registers, software and computer systems approved or specified by us in the operations manual or otherwise in writing, updated on a regular basis also as specified in the operations manual and giving us remote computer access as and when we deem necessary.

Type of Fee	Amount	Due Date	Remarks
Toll Free Telephone Number	Then-current fee for establishment, operation and maintenance of the toll free telephone number	As incurred	We have the right, but not the obligation, to establish and maintain a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll-free number, you must comply with our procedures for implementing the nationwide service as we specify in the operations manual or otherwise in writing, and you may be required to pay a fee related to the establishment, operation and maintenance of the toll-free telephone number.
Annual Conference	Travel Expenses	As incurred	We may sponsor annual seminars for updates on new management techniques, industry trends and other topics of interest to all franchisees. Although there will be no separate training charge for these seminars, in all cases it will be your responsibility to pay all travel, living and other expenses incurred by you or your employee(s) while attending these seminar.
Non-Compliance Fee	$50 per day	As incurred	If you fail to obtain the point-of-sale system we require you to obtain and do not remedy such default within 30 days notification from us, we may charge you a non-compliance fee equal to $50 per day for every day that you fail to utilize the correct point-of-sale system.

Unless otherwise noted, all fees are uniformly imposed by and are payable to us per our pricing schedules described in the table and in our operations manual. Unless otherwise noted, all fees are non-refundable.

Under the Non-Traditional Agreement, the royalty fee for a CREAM Business at a Non-Traditional Venue will generally be 6% of Gross Sales, although the rate may vary depending upon the Non-Traditional Venue and the location of the CREAM Business within the Non-Traditional Venue.

ITEM 7
YOUR ESTIMATED INITIAL INVESTMENT

A. FRANCHISE AGREEMENT

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	$30,000	$30,000	Lump sum	Upon signing the Franchise Agreement	Us
Leased Real Estate (2)	$2,500	$6,000	Varies	On signing lease	Landlord
Equipment (3)	$30,000	$32,400	Varies	Before opening	3rd party suppliers

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Computer, POS System, Security Cameras - System, Office Equipment (4)	$25,200	$29,200	Varies	Before opening	3rd party suppliers
Build Out, Fixtures, Improvements (5)	$96,000	$204,000	Varies	Before opening	Contractors, Architects
Initial Inventory (6)	$7,000	$9,000	As arranged	Prior to opening	3rd party suppliers
Grand Opening Marketing (7)	$10,000	$10,000			3rd party suppliers
Permits, Licenses, Insurance, Utility deposits, Attorney, Accountants	$30,000	$35,000	Varies	As incurred	CPA, insurance company, government agencies, accountants attorney, etc.
Initial Training Program (8)	$4,000	$4,000	Varies	As incurred	Travel agencies, hotels, restaurants, and various 3rd parties
On-Site Opening Assistance (9)	$2,000	$6,000	Varies	As incurred	Us and travel agencies, hotels, restaurants, and various 3rd parties
Additional Funds and Working Capital for First Three Months (10)	$15,000	$15,000	As arranged	Varied times	3rd party vendors, landlord, employees, etc.
TOTAL (10)	$251,700	$380,600			

Notes to Estimated Initial Investment Table A

[1] You must directly pay (or provide independent financing for) all initial investment expenditures listed in this Item 7 table to begin operations of your CREAM Business. We do not offer any financing (see Item 10). All payments are non-refundable unless otherwise noted.

[2] This estimate assumes you will be required to pay up front first and last month's rental prepayment, plus a security deposit equal to a month's rent for space ranging approximately 1,000 to 1,500 square feet in a retail zoned area for a typical "brick and mortar" Business or approximately 800 to 1,200 square feet for a "kiosk" location, at a cost of between $2 and $8 per square foot. In today's economy rental rates are very negotiable and can start as low as $2 per square foot. You may also be required to sign a "triple-net" lease paying your share of the landlord's property taxes, insurance and maintenance costs, which are typically due at the same time as monthly rent and are impossible to estimate. This estimate assumes you will obtain a "vanilla shell" type of space to operate the Business.

[3] You must purchase or lease furniture, fixtures and other equipment and supplies necessary for the Business including chairs, tables, ovens and freezers. Leasing furniture, fixtures, and equipment may significantly reduce your initial investment by spreading these "start-up" costs over a longer period of time. The estimate set forth in the table assumes that you purchase your furniture, fixtures, and equipment from our designated or approved suppliers.

[4] You must purchase required computer equipment that meets our current standards and specifications from our designated supplier. This estimate also includes the cost of purchasing and implementing the POS System we currently designate for use in connection with your CREAM Business. See Item 11 for more information about our current computer equipment requirements.

[5] The Business must conform to our standards and specifications for appearance, layout and design. We may provide you with prototypical architectural drawings for build-out of the Business, but you are ultimately responsible for the preparation of architectural and working drawings necessary to complete construction and/or build-out at the Premises. If requested by you, we may provide you with certain build-out and site selection assistance at a reasonable fee determined by the parties. We must approve all plans before you begin construction/build-out. We must approve all subsequent, material changes to the plans and drawings before these changes may be implemented. You must purchase architecture and contracting services for the construction of the Business that meet our minimum specifications. We have a recommended general contractor and architect for you to use in the construction of your Business but you are not required to use these vendors, though we reserve the right to require you to use these vendors in the future. We have based this estimate on information provided by our recommended general contractor and architect. If you do not use our general contractor and architect, your cost may be outside the estimated range. Our approval of the Premises will not constitute any representation or guarantee of your success at the Premises. For more information on our site selection procedures, please see Items 8 and 11 of this Disclosure Document.

The costs incurred in connection with the design, remodeling, decorating and/or construction of a Business will vary greatly depending on a number of factors, including the size and location of the Business, as well as the amount of construction or remodeling needed and the prior use of the Premises. If you obtain financing from a third party for some or all of the construction costs, you will also have to pay interest on the amount borrowed. If leasehold improvement costs are estimated to exceed the amounts set forth in this Disclosure Document, you may wish to investigate and/or obtain an alternate site for your Business. Various economic factors may affect construction costs, such as the availability of suitable locations and the pool of qualified contractors.

This amount also includes the expenses of acquiring interior and exterior signage on the Business. The cost of signage will depend on the size and location of the Business, your landlord's particular requirements, local and state ordinances and zoning requirements. Unless we have designated an approved supplier to service your Territory, you may purchase signage from any third party supplier so long as the signage conforms to our standards and specifications.

[6] You must purchase an initial supply of inventory items including baking supplies, ice cream, dough, janitorial supplies, serving dishes, utensils, serving utensils, beverage containers, and other equipment from our approved or designated suppliers. You must also purchase an initial inventory of certain cups, bags and other supplies bearing the CREAM logo from our designated supplier.

[7] You must spend at least $10,000 to promote the grand opening of your Business ("Grand Opening Advertising Requirement") before opening your Business using advertising materials approved by us.

[8] You are responsible for all expenses associated with our tuition-free initial training program, including your and your employees' transportation to and from the training site, lodging, meals, and employee wages during training. This estimate assumes that two (2) people will attend training for 8 days. If you send additional employees or you attend training for longer than 8, your costs may be higher.

[9] During the opening week of the Business, we will send at least 2 of our representatives to assist you for 1 to 4 days. You must pay us $250 per trainer per day for such assistance. Additionally, you must pay for our representatives' transportation to and from your Business, lodging, meals, and wages during training.

[10] This estimates your operating expenses for 3 months of operations based on our affiliate's experience in operating a custom frozen dessert, cookie, and ice cream sandwich shop that is similar to the CREAM Business, but adjusted for current economic conditions, pricing levels, rent, etc. This is only an estimate, and we cannot guarantee you will not have additional expenses, such as personal and business expenses, that exceed our estimates. Revenues and costs can vary due to many factors. Some of these factors include your ability to operate per our recommended business methods, management and marketing skills, business acumen, aggregate demand, competition, prevailing wages, location, rental paid, time of the year you open your CREAM Business and other variables. Your franchise will need time to attain a reasonable sales volume, and to be conservative we have not factored any sales income into the working capital amount. Because of this, working capital requirements will vary. The estimate shown in the table should be considered a minimum figure. It does not include any estimate for interest or other financing costs. Some costs and expenses will vary due to a disparity of prices, availability, and other factors. The cost of each item can and should be independently checked by you within your local area. It also does not include an estimate for royalty payments because these are impossible to estimate as of the date of this Disclosure Document. The estimate assumes you will hire and pay at least 3 employees (not including yourself) and does not include your salary. You should review all initial investment figures carefully with a competent financial business advisor before making any decision to purchase the franchise.

B. **DEVELOPMENT AGREEMENT**

Type of Expenditure (1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee (2)	$90,000	$90,000	Lump sum	Upon signing the Development Agreement	Us
Initial Investment for First Business	$251,700	$380,600	See Chart 7(A) above.		
TOTAL (3)	$343,700	$474,600			

Notes to Estimated Initial Investment Table B

[1] All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.

[2] The Development Fee will vary based on the number of Businesses we grant you the right to develop as described more fully in Item 5 of this Disclosure Document. The Development Fee of $90,000 set forth in Chart 7(B) above assumes you will be purchasing the right to develop a total of 3 Businesses within your Development Area. Payment of this Development Fee reserves your right to exclusively develop the Development Area over the term of the Development Schedule. If you are opening 6 or more CREAM Businesses, the Development Fee will be paid as follows: (i) $150,000 for the first 5 CREAM Businesses plus $15,000 times the number of CREAM Businesses that exceed 5 which must be paid in a lump sum upon the execution of the Development Agreement; and (ii) the remaining $15,000 due for each CREAM Business must be paid upon the execution of the franchise agreement for such CREAM Business following the first 5 CREAM Businesses opened under the Development Agreement.

[3] This figure represents the total estimated initial investment required to open your initial CREAM Business under the Franchise Agreement you must enter into with us contemporaneously with the execution of your Development Agreement. This range includes all the estimated fees set forth in Chart 7(A), except for the Franchise Fee because that cost is included in the Development Fee and you will not be required to pay a Franchise Fee under your initial Franchise Agreement or any other Franchise Agreement you must enter into for each of the CREAM Businesses we grant you the right to open under your Development Agreement.

[4] This total estimate set forth in Chart 7(B) above encompasses the investment you might incur in connection with signing a Development Agreement to open 3 CREAM Businesses, as well as the total investment to open and commence operations of your initial CREAM Business within your Development Area. It does not include any of the costs you will incur in opening any additional CREAM Businesses that you will be required to open and operate

within the Development Area because these costs will not likely be incurred during the first three (3) months of operating your initial Business.

C. NON-TRADITIONAL VENUE AGREEMENT

The amount of initial investment required when you sign the Non-Traditional Venue Agreement will vary greatly depending on the Non-Traditional Venue in which you locate the CREAM Business. Some facilities within Non-Traditional Venues may already be equipped to sell food products, while others may require substantial remodeling. We may require you to remodel the site in the Non-Traditional Venue in connection with entering into the Non-Traditional Venue Agreement. Therefore, we cannot provide a reasonable estimate of the initial investment required under the Non-Traditional Venue Agreement, although we believe that the estimated investment will be below the range of initial investment for traditional CREAM Businesses.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES

You must operate your Business in strict conformance with our methods, standards, and specifications which we prescribe in our confidential operating manual and various other confidential manuals and writings prepared for use by you in operating a Business (collectively the "Operations Manual"), and which we may change at our sole discretion. Future supplements, improvements or changes to our business system may require you to add or eliminate previously authorized products or services. The Operations Manual covers nearly all aspects of your Business' operations, such as processes and procedures, recipes and customer service standards. Operators under our Non-Traditional Venue Agreement will be subject to similar requirements and restrictions, including these set forth below.

Approved Products and Services

To ensure uniformity of service, quality and appearance as well as enhance public recognition and acceptance of our marks, you must purchase all supplies, products, services and materials relating to the establishment and operation of your CREAM Business per our specifications and requirements, a list of which will be provided to you as part of the Operations Manual or otherwise by us.

Except as described below, you may purchase supplies, products, services and materials meeting our specifications and requirements from any approved supplier. A list of currently approved suppliers is contained in our Operations Manual. This list may be updated in the future. To: (i) better assure the quality of the approved services and products; (ii) assure the supply of the approved services and products; and/or (iii) enable us, in our sole discretion to take advantage of marketplace efficiencies, we have the right to require you to purchase only ingredients and inventory from us or other suppliers or distributors approved or designated by us. We may also develop certain proprietary products which you must purchase from us and offer for sale at your Business. As of the date of this Disclosure Document, we have designated a certain supplier for certain cups, bags and other supplies bearing the CREAM logo which you must use (collectively, the "Trademarked Products"). We have authorized one manufacturer to make our proprietary dough and another manufacturer to make our ice cream ("Proprietary Products"). You must buy the Proprietary Products only from these authorized suppliers. You will order an initial supply of the Proprietary Products from these suppliers as well as the Trademarked Products from us prior to opening the Business. On a periodic basis, you will order new inventory of the Proprietary Products. You must use our approved vendor for accounting services. We reserve the right to change any of our designated suppliers at any time and we reserve the right to designate us or an affiliate as an approved supplier or the only approved supplier for certain items you must purchase. Other than us, none of our officers have any ownership interest in any of our designated or approved suppliers.

Although not required to do so, as the franchise network grows, we may attempt to use volume purchasing arrangements with suppliers to enable you to purchase items at prices lower than you could obtain individually. We reserve the right to require you to purchase from certain suppliers if a volume purchasing arrangement is established. We reserve the right to derive revenue from your purchases of the Proprietary Products and any other required purchases based on a percentage of your purchases which will be paid to us by the supplier. For our last fiscal year ending December 31, 2019, we derived $260,312 from required franchisee purchases, which is 38% of our total revenue of $676,493 over the past fiscal year. We do not provide material benefits or inducements to you based on your use of a designated or approved source and we do not currently have any purchasing or distribution cooperatives. Currently, we receive up to a 15% rebate from certain of our suppliers of cookies, ice cream, and other products used in connection with the Business.

We estimate that your required purchases and leases will account for approximately 70% to 80% of all purchases and leases necessary to open your Business, and approximately 20% to 40% of your annual costs to operate your Business.

Alternate Supplier Approval

Our criteria for approving suppliers are provided in the Operations Manual. All suppliers must be approved by us in writing before you use them.

If you want to use a supplier or provide services (or products) not previously approved by us or purchase an unapproved product from an approved supplier, you must first submit a written request for approval, which will not be unreasonably withheld. To be approved, the supplier’s or distributor’s product must conform in every respect to our standards and specifications, and the supplier or distributor must, in our sole judgment, have a good business reputation and be able and willing to provide sufficient quantities of the product and adequate service to our franchisees. Additionally, we will take into consideration whether allowing this supplier to provide certain goods and services would otherwise increase the costs of goods or services for other CREAM System franchisees. As a condition of approval, we require inspection of the supplier’s Businesses, or testing of requested products or services. It is your responsibility to deliver to us (or our designated testing Business) samples of requested products or services. To begin the evaluation-testing process, you are required to pay us a lump sum amount based on our then-current hourly rate and estimated time, which is currently $50 per hour. Other lump sum payments may be required to continue and complete this process. We will refund any credit balance due to you at the end of the process. We will advise you of our approval or disapproval within a reasonable time after receiving your request and conducting the evaluation and testing. A final determination is reached within approximately 15 business days after completing this process. We do not make our criteria for supplier or distributor approval available to our franchisees. We may provide our standards and specifications for goods and services directly to your proposed suppliers or to our approved and designated suppliers provided they sign our prescribed form of non-disclosure agreement. We may revoke our approval of any supplier, product or service not meeting our standards and specifications. After notification of revocation, you must cease using the product or service within 10 days of such notification.

Advertising

We must approve all advertising before first publication or use.

Insurance

You must procure and maintain insurance covering the operation and location of the Business as we may designate from time to time. Our present insurance requirements are as follows: (i) special form property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Business; (ii) comprehensive general liability insurance, containing minimum liability protection of $1,000,000 combined single limit per occurrence, and $2,000,000 in the aggregate; (iii) professional liability insurance, containing minimum liability protection of $1,000,000 combined single limit per occurrence, and $3,000,000 in the aggregate; (iv) worker’s compensation insurance and employer’s liability insurance as required by law; (v) auto insurance coverage covering franchisee-owned vehicle used in the operation of the Business; (vi) business interruption insurance; (vii) employment practices liability insurance; (viii) if any vehicle is operated in connection with the conduct of the Business, automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with minimum limits of liability in the greater of (a) the amount required by all applicable state and federal laws, or (b) a combined single limit of $1,000,000 for bodily injury and property damage; and (ix) any other insurance that we may specify in the Operations Manual from time to time.

You must provide us with proof of coverage on demand. You will agree to carry this insurance as may be required by the lease of your location or by any lender or equipment lessor you select. You must add us to all insurance contracts as an additional insured under the insurance policies, the cost of which to be paid by you. You must maintain these insurance levels throughout the term of your Franchise Agreement. If you do not obtain the required insurance policies, we reserve the right to obtain these insurance policies on your behalf and charge you an administrative fee of eighteen percent (18%) of the premium cost for obtaining such policies in addition to requiring reimbursement for any policy fees.

Developers must maintain insurance as required under their individual franchise agreements for CREAM Businesses to be open within the Development Area.

Computer Hardware and Software

Presently, you must purchase required hardware and software in accordance with our standards and specifications. Our present computer hardware and software requirements are discussed further in Item 11 of this Disclosure Document, and discussed in detail in the Operations Manual.

We reserve the right to change the computer hardware and software requirements and vendors in our sole discretion. If you fail to obtain the point-of-sale system we require you to obtain and do not remedy such default within 30 days notification from us, we may charge you a non-compliance fee equal to $50 per day for every day that you fail to utilize the correct point-of-sale system.

Leases and Leasehold Improvements

You must purchase or lease a retail space for your Business which meets our standards and specifications for a CREAM Business. This location should be between 1,000 and 1,500 square feet in a retail zoned area. We must approve your location and lease terms before you sign a lease for a location. We may condition our approval of your lease upon, among other conditions, you and your landlord's signing of a collateral assignment of lease, whereby your landlord grants us the right to assume your rights and obligations under the lease in the event that you breach your lease agreement, your Franchise Agreement is terminated or expires. Neither our review of the lease nor our acceptance of the site you have selected constitutes a representation or guarantee that you will succeed at the Premises or an expression of our opinion regarding the terms of the lease. We encourage you to seek independent counsel from a lawyer or business advisor to assist you in selecting a location and negotiating a lease for the Business.

The Business must be designed, constructed, equipped, decorated and supplied in compliance with our specifications which will be made available to you. We may, as we deem appropriate, periodically provide you with site selection criteria and certain build-out benchmarks that we recommend or require you complete. You must purchase architecture and contracting services for the construction of the Business which meet our minimum specifications as further provided in the Operations Manual.

You must repair, refinish, repaint, replace, remodel and/or otherwise redo the Business, equipment, furnishings, fixtures, decor, and any other tangible part or property of the Business at your own expense at these times as we may reasonably direct to bring the Business into conformance with Businesses of other franchisees opening at this time.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Section in Development Agreement	Section in Non-Traditional Venue Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	6.01 and Exhibit 1	1 and Exhibit A	3.1	7, 11
b. Pre-opening purchase/leases	6.01, 6.02 and 6.06	Not Applicable.	3.2	7, 8
c. Site development and other pre- opening requirements	6.01, 6.02 and 6.03	1 and Exhibit A	3.2	6, 7, 11
d. Initial and ongoing training	6.03, 7.01(a) and 8	Not Applicable.	3.3	6, 7, 11, 15

Obligation	Section in Franchise Agreement	Section in Development Agreement	Section in Non-Traditional Venue Agreement	Disclosure Document Item
e. Opening	6.04	5	3.2	11
f. Fees	3	2	2.1 – 2.6	5, 6, 7, 8, 11
g. Compliance with standards and policies/operating manuals	6.01, 6.02, 6.05 and 6.06	Not Applicable.	3.3	1, 6, 8, 11, 14, 15, 16, 17
h. Trademarks and proprietary information	4 and 5	Not Applicable.	5.1 – 5.6	1, 8, 13, 14, 17
i. Restrictions on products/services offered	6.05 and 6.06	Not Applicable.	3.6	6, 8, 16
j. Warranty and customer service requirements	6.07	Not Applicable.	3.3	16
k. Territorial development and sales quotas	1.02	1 and 5	1.2	1, 5, 11, 12, 17
l. Ongoing product/services	6.05 and 6.06	Not Applicable.	3.7	6, 8, 11
m. Maintenance, appearance and remodeling requirements	2.2(5) and 6.17	Not Applicable.	3.2	1, 6, 7, 8, 11, 17
n. Insurance	9	Not Applicable.	6.2	7
o. Advertising	11	Not Applicable.	4.3	7, 11, 17
p. Indemnification	6.19	Not Applicable.	6.1	6
q. Owner's participation/management	6.07(a)	Not Applicable.	3.3	6, 11, 15, 17
r. Records and reports	3.04 and 10	Not Applicable.	2.5	6, 7, 8, 9, 17
s. Inspections and audits	6.18 and 10	Not Applicable.	3.4	6, 8, 17
t. Transfer	12	8	9.2	6, 17
u. Renewal	2.02	Not Applicable.	7.2	17
v. Post-termination obligations	14	Not Applicable.	8.4	17
w. Non-competition covenants	15	Not Applicable.	10.1	17
x. Dispute resolution	16	12-15	12.5	17

ITEM 10
FINANCING

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

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

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

Pre-opening Assistance and Services

Before you open your business, we:

1. Designated Territory. Will grant and define your designated territory. (Section 1.02 of the Franchise Agreement).

2. Training Program. Will train you and up to one (1) other person at our affiliate's CREAM location training facility in Berkeley, California (or another location we may designate) tuition-free. The program will last up to 84 hours (with approximately 40 hours at our corporate headquarters and up to an additional 40 hours of training, depending on your aptitude and background. (Section 8.01 of the Franchise Agreement).

3. Confidential Operating Manual. Loan to you one complete copy of our Operations Manual containing, among other things, operating techniques, specifications, instructions and requirements about authorized suppliers, products, standards and operating procedures. The Operations Manual contains a list of approved suppliers. As mentioned in Item 8, we are currently the only approved supplier of cups, bags, etc. that bear the CREAM logo. Other than this, we do not directly supply, nor do we deliver or install any other item. We are not an approved supplier of any item. See Item 8 above for further details. The Operations Manual always remains our property and we may change any Operations Manual occasionally to reflect changes in our business system. You must treat the Operations Manual and all information in them as confidential. You must keep the Operations Manual current and follow new or changed provisions. The master copy of our Operations Manual maintained at our principal office is controlling in the event of a dispute about the contents of the Operations Manual. (Section 7.01(b) of the Franchise Agreement). The Table of Contents of our Operations Manual is included as Exhibit D to this Disclosure Document. The Operations Manual has approximately 216 pages.

4. Initial Forms. May, in our discretion, provide you with copies of reporting and other operating forms as detailed in our Operations Manual. (Section 7.01(c) of the Franchise Agreement).

5. Additional Assistance. May, in our discretion, provide you with specifications for products and designated suppliers from which you agree to purchase inventory, goods, and supplies necessary for the start-up and ongoing operation of the Business. (Section 7.01(g) of the Franchise Agreement).

6. Grand Opening Advertising. We will approve of the advertising materials you use as part of your Grand Opening Advertising Requirement. (Section 11.01 of the Franchise Agreement).

Initial Training Program

Subject	Hours of Classroom Training	Hours Of On-The-Job Training	Location
Introduction	1	0	Berkeley, CA or another location we designate
Our 4 Principles	2	0	Berkeley, CA or another location we designate
Overview of Operations	0	2	Berkeley, CA or another location we designate
Inventory Control & Ordering	2	0	Berkeley, CA or another location we designate
Training Employees	0	2	Berkeley, CA or another location we designate
Accounting	2	0	Berkeley, CA or another location we designate
Opening & Closing	0	2	Berkeley, CA or another location we designate
Customer Relations	1	0	Berkeley, CA or another location we designate
Identifying Products	0	2	Berkeley, CA or another location we designate
Scooping Process	0	2	Berkeley, CA or another location we designate
Assembly Techniques	0	2	Berkeley, CA or another location we designate
Customer Service	2	2	Berkeley, CA or another location we designate
Register Operations	0	4	Berkeley, CA or another location we designate
Restocking	0	4	Berkeley, CA or another location we designate
Cookie Duty	0	4	Berkeley, CA or another location we designate
Clean Up	0	1	Berkeley, CA or another location we designate
Questions & Answers	3	3	Berkeley, CA or another location we designate
Exam and Graduation	0	1	Berkeley, CA or another location we designate
Additional In-Store Training	0	10-40	Berkeley, CA or another location we designate
Total Training Time	13	41 - 71	

The following instructors handle the implementation of the initial training program:

Name	Numbers of Years of Experience in Industry	Numbers of Years of Experience with CREAM
Wafa Shamieh	12+	9
Catherine Uhlinger	30+	2
George Salfiti	12+	2

We will provide you and up to one (1) additional trainee ("Trainee") specified by you, with a single tuition-free training program in connection with the management and operation of the Business. Training programs are for new franchisees and are scheduled throughout the year. The initial training program will be provided at a mutually agreeable time subject to the availability of our instructors. Training takes place at a CREAM location we designate. The allocation of hours of on-the-job training is only an approximation and depends on your background and skills as well as proficiency in various subject areas. There is no formal classroom training as we believe the real value of any training is imparted in an on-the-job environment experience. You must pay the costs of you and your employees in attending the program, including travel costs, room and board expenses, and employees' salaries. (Section 8.01 of the Franchise Agreement).

Training is mandatory for all franchisees and you and your Trainee must satisfactorily complete all segments of training to our satisfaction before starting business operations. Determination of whether you and your Trainee satisfactorily complete training rests solely with us. (Section 8.01

of the Franchise Agreement). You and your Trainee must complete the initial training program no later than 30 days prior to the Business' scheduled opening. Should you or your Trainee fail to complete the initial training program to our satisfaction, at our option, the respective person may repeat the course, or in the case of an employee, you may send a replacement (the "Replacement Personnel") to the next available initial training program. Failure by you, your employee, or any Replacement Personnel to complete the initial training program to our satisfaction is a material breach of the Franchise Agreement and we may terminate the Franchise Agreement. (Section 8.01 of the Franchise Agreement). We may allow you to send additional personnel to our initial training program provided you pay our then-current training fee of $250 per trainer per day.

Additional On-Site Assistance

In addition to the initial training program described above, during the opening week of your Business, we will send up to 2 of our representatives to assist you for 1 to 4 days to help assist in the proper opening and operation of your CREAM Business. You must pay us $250 per trainer per day for such assistance. Additionally, you must pay for our representatives' transportation to and from your Business, lodging, meals, and wages during training. The amount of additional on-site assistance we provide will depend on your needs and aptitude and the availability of our personnel, as deem appropriate and necessary in our sole discretion.

Training Materials and Employee Training

Instructional materials include a course curriculum and excerpts from our Operations Manual. Updated training materials will be provided to you by us as they are developed. All training materials provided to you by us will remain our property, and you agree not to challenge our or our affiliates' title or rights in or to the training materials. These training materials are proprietary and confidential in nature and you may not make any disclosure, duplication or other unauthorized use of any portion of the training materials. (Section 8.02 of the Franchise Agreement).

Your other employees may be trained by you or another person that has completed our initial training program or, at your request and subject to the availability of our personnel, we will train your additional personnel at our headquarters at our then-current tuition rate which is currently $2,000 per person. All training must be completed by your personnel before undertaking substantial responsibility in the operation of the Business. All training related expenses for your additional teaching personnel, including transportation to and from the training site, lodging, meals, and salaries during training, are your sole responsibility. Only our provided training materials may be used by you in training your personnel.

Site Selection for Opening

We may provide information about general site characteristics, proximity factors, visibility factors and square footage. You are responsible for selecting your own business location which we must approve of. (Section 6.01(a) of the Franchise Agreement). We may base our approval of your site on a number of factors, including your and your landlord's signing of the collateral assignment of lease. We do not select sites. The franchise is granted for a single, specific location. Unless we agree otherwise, you must secure your Premises within 7 months of the date you sign the Franchise Agreement. (Section 6.01(a) of the Franchise Agreement). Upon request by you, we may extend this deadline if we deem advisable in our discretion based on several factors, including your efforts in obtaining a site and other market conditions. If you cannot find an acceptable site anywhere within your Territory within the time limit and do not get an extension, the Franchise Agreement will terminate and you would lose any money paid to us. We are currently an approved supplier for build-out services. We may advise on and provide a basic design layout for your CREAM franchise but you are solely responsible for ensuring that all construction, remodeling and decorating conform to our standards and specifications, subject to our build-out assistance. (Section 7.02(e) of the Franchise Agreement). You are solely responsible for ensuring the Premises conform to local ordinances and building codes and obtaining any required permits, subject to our build-out assistance. (Section 6.02 of the Franchise Agreement).

We estimate the typical length of time between the signing of the Franchise Agreement and the opening of your franchise will be between 9 months and 1 year; but the actual time may be longer. Factors affecting this time include finding an appropriate site, lease negotiations, time to comply with various building permit requirements, time for build out, delivery and installation of equipment, furniture and inventory as well as time to schedule, attend and successfully complete our training program. Unless we agree otherwise, you must commence business operations within 1 year of the date you sign the Franchise Agreement. (Section 6.04 of the Franchise Agreement).

Assistance, Support and Services During Operations

During the operation of your franchise, we:

1. Start Up Assistance. May, as we deem appropriate in our sole discretion, assist you for a period of between 1 to 4 days at your franchise for $250 per trainer per day, depending on your needs and aptitude and as we deem necessary in our discretion and the availability of our personnel, to aid in learning operations of your CREAM Business and to assist in establishing standard operating procedures. (Section 7.02(a) of the Franchise Agreement).

2. Consultation. May, as we deem appropriate in our sole discretion, provide continuing support by having representatives at our corporate office available to answer by email or mobile communications questions arising in the day-to-day operation of your business during normal business hours as we deem necessary in our discretion. (Section 7.02(b) of the Franchise Agreement).

3. Franchisee Convention. May, as we deem appropriate in our sole discretion, sponsor annual seminars for updates on new management techniques, industry trends and other topics of interest. Although there is no annual separate charge for these seminars, it is your responsibility to pay all travel, living and other expenses incurred by you in attending these seminars (as well as your share of renting any conference room, equipment, etc.). Attendance at seminars is mandatory. We reserve the right to charge you our then-current fee for attendance at these conventions. (Section 7.02(c) of the Franchise Agreement).

4. Updating. Will continue to develop and modify our System, and designate additional products and services to be offered by you in operating your CREAM Business, including proprietary private label products and services. You must sell all Proprietary Products, approved products and services we designate for use in connection with the System at your CREAM Business. We may distribute periodic supplements and amendments to our Operations Manual as well as other information of general interest to all members of the franchise network. (Section 6.05(b) of the Franchise Agreement).

5. New Manager Training and Additional Training. Provide training (in accordance with our then-current fee schedule in the Operations Manual) if a new person becomes a manager at your franchise and you ask us to train them. Additionally, we may offer additional training programs and/or refresher courses to you, your manager and/or your employees. We may require your attendance at these programs and/or courses. You must cover the expenses of you, your manager and your employees, including transportation to and from the training site and lodging, meals, and salaries during this training. The additional training programs and refresher courses will be at our then-current tuition rate for this training. (Section 7.02(i) of the Franchise Agreement).

6. Advertising. Will supervise the development of advertising, promotional, public relations, internet presence, website updates and other programs, including the CREAM Brand Fund (after the CREAM Brand Fund is implemented) and the grand opening advertising program. (Sections 11.01, 11.03 and 11.04 of the Franchise Agreement).

7. Additional Consulting. May, as we deem appropriate in our sole discretion, provide additional support or on-site consulting services in accordance with our then-current consulting fee schedule if requested by you and as we deem necessary in our discretion. (Section 7.02(f) of the Franchise Agreement).

8. Protection of Marks. Take those steps we deem reasonably appropriate in our discretion to preserve and protect the ownership and validity of our marks, and to permit other franchisees to use these marks only in accordance with our standards and specifications. (Section 5.02 of the Franchise Agreement).

9. Toll-Free Telephone Number. We have the right, but not the obligation, to establish and maintain a toll-free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll-free number, you must comply with our procedures for implementing the nationwide service as we specify in the Operations Manual or otherwise in writing, and you may be required to pay a fee related to the establishment, operation and maintenance of the toll-free telephone number. (Section 7.02(j) of the Franchise Agreement).

Advertising Program for Franchise System

Grand Opening Advertising

You must spend at least $10,000 to promote the grand opening of your Business before opening your Business as your Grand Opening Advertising Requirement using advertising materials approved by us.

CREAM Brand Fund Contribution

In July 2014, we established the CREAM Brand Fund for advertising purposes for all CREAM franchisees. You must contribute a monthly CREAM Brand Fund Contribution to the CREAM Brand Fund for your Business, in the amount of two percent (2%) of your Gross Sales. (Section 11.05 of the Franchise Agreement). We have the right to use contributions to the CREAM Brand Fund, in our discretion, to develop, produce, and distribute national, regional and/or local advertising and to create advertising materials and public relations materials which promote, in our judgment, the services offered by the System. (Section 11.05(a) of the Franchise Agreement). We may use contributions to the CREAM Brand Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertising for each type of Business, including the cost of preparing and producing television, radio, digital, magazine and newspaper advertising campaigns, the cost of direct mail and outdoor billboard advertising; the cost of public relations activities and advertising agencies; the cost of developing and maintaining an Internet website; and personnel and other departmental costs for advertising that we internally administer or prepare. Not all System franchisees will benefit directly or on a pro rata basis from the CREAM Brand Fund's expenditures. (Section 11.05(b) of the Franchise Agreement). While we do not anticipate that any part of the CREAM Brand Fund will be used for advertising or public relations, which is principally a solicitation for the sale of additional franchises, we reserve the right to include a notation in any advertisement indicating "Franchises Available." (Section 11.05(b) of the Franchise Agreement).

The advertising will be prepared by us and by outside sources. If we do not spend the CREAM Brand Fund's contributions by the end of any given fiscal year, the funds will be carried forward into the next fiscal year. There is no requirement that the CREAM Brand Fund be audited. We will prepare on an annual basis, and will have available to you within 90 days of the end of the fiscal year, a statement of contributions and expenditures for the CREAM Brand Fund, which will be provided to you upon your written request. (Section 11.05(f) of the Franchise Agreement). In 2019 fiscal year, we spent CREAM Brand Fund as follows: 10% on social media, 7% on POP (placement of product marketing), 3% on photography, 7% on digital and print advertising, 24% on PR, 9% on graphics and website, 22% on branding activities for brand growth and market expansion, 18% on administrative expenses, nothing on mystery shopper or gift cards.

We will contribute to the CREAM Brand Fund for company-owned/affiliate-owned CREAM Businesses that are subsequently opened at the rate provided in our Franchise Disclosure Document in the year that the company-owned Business is established. (Section 11.05(e) of the Franchise Agreement). We have the right to require that an advertising cooperative and/or franchisee advisory council be formed, changed, dissolved or merged. (Section 11.05 of the

Franchise Agreement). While we are not obligated to do so, we reserve the right to conduct advertising in your Territory.

Local Advertising Requirement

You must expend one-and-a-half percent (1.5%) of your Gross Sales on local advertising as we prescribe in the Operations Manual or otherwise in writing, which may include, without limitation, requirements for placing a certain number and/or type(s) of media advertisements as your Local Advertising Requirement. You acknowledge and agree that your local advertising obligation must be expended regardless of the amount(s) spent by other System franchisees on local advertising. (Section 11.07 of the Franchise Agreement). You are permitted to use your own advertising materials, so long as you have submitted them to us for approval at least 15 days before your use. We must approve the advertising materials in writing. If we do not approve or disapprove your materials within 10 days of receipt by us, these materials will be deemed to be rejected. (Section 11.01 of the Franchise Agreement).

Regional Advertising Cooperative

There are currently no regional Cooperatives in existence for the franchise System. However, we have the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional Cooperative, and to determine whether a Cooperative is applicable to the Business. If a Cooperative has been established applicable to the Business at the time you begin operating under the Franchise Agreement, you must immediately become a member of this Cooperative. If a Cooperative applicable to the Business is established at any later time during the term of the Franchise Agreement, you must become a member of this Cooperative no later than 30 days after the date on which the Cooperative begins operation. If the Business is within the territory of more than one Cooperative, you must be a member of only one of these Cooperatives. (Section 11.06 of the Franchise Agreement).

Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by us. (Section 11.06(a) of the Franchise Agreement). Each Cooperative is not necessarily governed by written documents, and any governing documents that are in place will be available for review by the member franchisees. Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and standardizing advertising materials for use by the members in local advertising. (Section 11.06(b) of the Franchise Agreement). No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval. All plans and materials must be submitted to us in accordance with the procedure set forth in Section 11.01 of the Franchise Agreement. (Section 11.06(c) of the Franchise Agreement). All activities and contributions to the Cooperative shall be determined by a majority vote of the member franchisees in the Cooperative, subject to our approval, which we will not unreasonably withhold. Such contributions may exceed the Local Advertising Requirement and you will receive credit for Cooperative contributions against the Local Advertising Requirement. (Section 11.01(d) of the Franchise Agreement).

Each member franchisee must submit to the Cooperative, no later than the 15th each month, for the preceding month, its respective contribution as provided in the Franchise Agreement together with other statements or reports as we may require or as may be required by the Cooperative with our approval. (Section 11.01(e) of the Franchise Agreement). No other annual or periodic financial statements need to be provided by the Cooperative other than those submitted by its member franchisees.

We may grant to any franchisee, in our discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of the franchisee stating reasons supporting this exemption. Our decision concerning this request for exemption will be final. (Section 11.01(f) of the Franchise Agreement).

Computer System & POS System

Before opening you must purchase a Point Of Sale (POS) cash register in accordance with our standards and specifications. We currently require your POS system to be manufactured by Revel, Model Number 18.5 touch-screen and have a software interface with your Windows-based computer system. Your POS cash register will use software owned by POS CRE RETAIL, Model: Restaurant Pro ("POS System"). Before opening, you must purchase (if you do not already own) a Windows-based computer system that is relatively current and have access to a high bandwidth connection and secure access. Your computer system should have installed the current versions of Internet Explorer, Firefox or Safari. It should also have the following third-party software that may come bundled with your computer: (i) Microsoft Office suite (including MS Word, Excel, Outlook) for word processing, spreadsheets and email communications; and (ii) QuickBooks professional or QuickBooks on line for accounting or any other accounting program we designate (collectively, the above requirements are referred to as the "Computer System"). You are responsible for all fees associated with obtaining the computer system and required software.

We estimate that the cost of obtaining the required computer system will be roughly $6,000 and we estimate that the annual costs of any optional or required maintenance, updating, or support contracts will be approximately $500 to $1,000 per year. We reserve the right to change the amount of our technology fee as changes are made to the System's hardware and software requirements.

You must maintain an email account and you must give us electronic access to information on your computer. No contractual limitation exists on our right to access the information. You must also have a facsimile machine with its own dedicated fax line for use in your Business, as well as telephones and a cell phone. We may require you to change, upgrade or update your computer hardware, software and other office equipment. Franchisee, at its own cost, will be required to effect any such change, upgrade, or update upon our written notice. No contractual limitation exists on the frequency or cost of this obligation. We will have independent access to any data which you collect electronically. Additionally, you must provide us with all passwords and passcodes necessary to access the POS System and Computer System upon request by us. We will have the right to (a) independently access the Computer System and POS System as we deem necessary in our discretion, and (b) use the information derived from the Computer System and POS System as we see fit. (Section 10.01 of the Franchise Agreement).

Internet

You must have and maintain adequate hardware and software in order to access the Internet at the bit speed we require from time to time. We may, but are not obligated to, establish an Internet website that provides information about the System and the products and services offered by CREAM Businesses. In the event we exercise our right to create such a website, we have discretion and control over the website (including timing, design, contents and continuation). We may, but are not obligated to, create interior pages on its website(s) that contain information about your Business and other CREAM locations. If we do create these pages, we may require you to prepare all or a portion of the page for your Business, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting. (Sections 11.03(a) and 11.03(b) of the Franchise Agreement).

Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Business, including any profile on Facebook, Twitter, Pinterest, LinkedIn, Instagram, YouTube or any other social media and/or networking site. If such approval is granted by us, you must: (i) establish and operate such Internet site in accordance with System standards and any other policies we designate in the Operations Manual or otherwise in writing from time to time; and (ii) utilize any templates that we provides to you to create and/or modify such site(s). (Section 11.03(c) of the Franchise Agreement).

We have the right to modify our policies regarding both our and your use of Internet websites as we deem necessary or appropriate for the best interests of the System. (Section 11.03(d) of the Franchise Agreement). You acknowledge that we and/or our affiliates are the lawful, rightful and sole owner of the Internet domain name www.creamnation.com, as well as any other Internet domain names registered by us, and you unconditionally disclaim any ownership interest in such domain names and any colorably similar Internet domain names. You agree not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words (Section 11.03(e) of the Franchise Agreement).

Area Computer Network, Intranet or Extranet Participation

You must participate in any System-wide area computer network, intranet system or extranet system that we implement and may be required by us to use this area computer network, intranet system or extranet system to, among other things: (i) submit your reports due under the Franchise Agreement to us on-line; (ii) view and print portions of the Operations Manual; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) participate in training. You must use the facilities of any area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the Operations Manual, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements. (Section 6.09 of the Franchise Agreement).

Obligations and Assistance Under the Development Agreement

Our obligations regarding site selection assistance, training, computer hardware and software selections, and advertising for additional Businesses developed under a Development Agreement will be governed by the form of single-unit franchise agreement you sign for each additional Business.

Area Representatives

We have entered into one currently effective agreement with an entity that will act as an "Area Representative" and solicit and provide certain ongoing services to franchisees located in the territory of Florida. If you purchase a Business in Florida, our Area Representative may provide some of our obligations listed in this Item 11. Our current Area Representative is listed in **Exhibit E** of this Disclosure Document.

Non Traditional Venue Agreement

Before you open the Business at the Non-Traditional Venue, we will:

1. Approve the site for your Business within the Non-Traditional Venue (Section 3.1 of the Non-Traditional Venue Agreement).

2. Provide training to 2 of your personnel (Section 3.3 of the Non-Traditional Venue Agreement). This training will be similar to the training program described above in this Item 11.

3. Provide you with a copy of our confidential Operations Manual (Section 3.3 of the Non-Traditional Venue Agreement).

During the operation of your Business at the Non-Traditional Venue, we will:

1. Provide you with a reasonable amount of promotional assistance and support (Section 4.1(a) of the Non-Traditional Venue Agreement).

2. Provide you with reasonable ongoing advice and support (Section 4.1(b) of the Non-Traditional Venue Agreement).

3. Provide you with operating procedures, including product and service standards (Section 4.2 of the Non-Traditional Venue Agreement).

4. Offer you, at our prices, advertising and marketing materials (Section 4.3 of the Non-Traditional Venue Agreement).

ITEM 12
TERRITORY

Premises

You will operate the Business from a specific location which we approve ("Premises") which will be identified on the Data Sheet of the Franchise Agreement. You may not conduct any other business from the Premises. If you have secured a site for the Business at the time you sign the Franchise Agreement, you will establish the Business at the approved site. If you have not yet secured a site for the Business at the time you sign the Franchise Agreement, you will enter into our Site Selection Addendum, attached as Exhibit 1 to the Franchise Agreement, which will govern the site selection process. You may relocate the Business only with our prior written consent, which we will not unreasonably withhold provided that the proposed new location meets our then-current criteria for a CREAM Business and is located within your Territory.

Territory

You are given a territory, usually defined by street boundaries, highways, counties, political subdivisions, or other means on a map ("Territory"). The Territory is specified in the Data Sheet of the Franchise Agreement. The size of the Territory will be approximately a one (1) to three (3) mile radius from the Premises, around the Premises, unless your CREAM Business is located in a major metropolitan downtown area or similarly-situated/populated central business district (a "Central Business District"). If your CREAM Business is located in such a major metropolitan area or Central Business District, your Territory will be limited to a one-half (1/2) mile radius around the Premises or other area surrounding the Premises that has a population of approximately 25,000 persons, as we determine appropriate. The size of your Territory may vary from other System franchisees based on the location and demographics surrounding your Premises. There are no options, rights of first refusal or similar rights to acquire additional franchises within your Territory or contiguous areas.

All catering orders will be taken through our centralized ordering system and then will be distributed to the applicable franchisee to service the catering order in accordance with procedures established by us from time to time in the Manual. If you provide catering services within your Territory that do not come from our centralized ordering system or provide such catering services without our approval, we may revoke your ability to provide catering services within your Territory and will instead direct all catering requests within your Territory to another CREAM Restaurant.

So long as you are in full compliance with the Franchise Agreement, except as described below, we will not own and operate or license others to operate a Business under the Marks and System in its Territory. Because of our right to operate CREAM Businesses in non-traditional sites in your Territory, 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.

Development Agreement

If you enter into a Development Agreement, you will obtain the right to own and operate a specified number of Businesses in the Development Area which you must open in accordance with the Development Schedule. Each Development Agreement will grant the right and obligation and to open at least 3 CREAM Businesses. The size of the Development Area will vary depending upon the number of Businesses we grant you the right and obligation to open and operate under your Development Agreement, as well as the population and demographics, including whether the Development Area is primarily urban or suburban. Provided you comply with the terms of the Development Agreement, and any Franchise Agreements signed for CREAM Businesses within the Development Area, we will not locate another CREAM Business operating under the Marks, whether franchised or company owned, in your Development Area during the term of the Development Agreement.

You must comply with your development obligations in order to maintain the territorial rights to your Development Area. In the event that you fail to meet your development obligations and the Development Agreement is terminated, you will retain your rights to any individual CREAM Businesses you timely opened during the term of the Development Agreement. This includes the territorial rights set forth in the Franchise Agreement for those timely-opened CREAM Businesses, provided that the Development Agreement was not terminated as a result of your failure to comply with the terms of your existing Franchise Agreement(s). Your rights to any CREAM Businesses for which there is no Franchise Agreement and your territorial rights in the Development Area will terminate immediately upon termination of the Development Agreement. Thereafter, we will have the right to develop the Development Area on our own or through third parties. Because of our right to operate CREAM Businesses in non-traditional sites in your Development Area, you will not receive an exclusive Development Area. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Reservation of Rights under the Franchise Agreement and Development Agreement

The rights granted under both the Franchise Agreement do not include: (i) any right to offer any product or service via e-commerce; (ii) any right to establish an independent website or to establish a URL incorporating the Marks or any variation of the Marks; (iii) any right to sell merchandise via wholesale; or (iv) any right to otherwise distribute, market, or implement our products and services in anychannel of distribution not specifically identified in the Franchise Agreement.

Under the Franchise Agreement, we and our affiliates have the right, in our sole discretion, to: (i) own and operate Businesses at any location(s) outside your Territory under the same or different marks, or to license others the right to own and operate Businesses at any location(s) outside your Territory under the same or different marks; (ii) use the Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, without regard to location; (iii) own and operate businesses, or market similar products and services, at any location(s) inside your Territory under different marks, or to license others the right to own and operate Businesses or businesses, or market similar products and services at any location(s) inside your Territory under different marks; (iv) exclusively operate and license others the right to own and operate Businesses under the Marks and System in non-traditional sites including, but not limited to, sports and entertainment stadiums, arenas, entertainment complexes, malls and other shopping outlets, and airports, without regard to location; and (v) use and license others to engage in any other activities not expressly prohibited in the Franchise Agreement.

We retain the right, in our sole discretion, to distribute in your Territory, as applicable, our or our affiliates' products and services, whether now existing or developed in the future, in whatever manner and through the channels of distribution we, in our sole discretion, will determine. Alternate channels of distribution include, but are not limited to, sales of any products offered in the Franchise Agreement under the Marks at or through the internet, retail stores or supermarkets. The Franchise Agreement grants you no rights to: (i) distribute the services as described in this paragraph; or (ii) share in any of the proceeds from our activities through our reserved rights or alternate channels of distribution, even when those actions take place inside your Territory.

Under the Development Agreement, the parties agree and acknowledge that we and our affiliates reserve all other rights not expressly granted to you as disclosed in this Item.

Non-Traditional Venue Agreement

During the term of the Non-Traditional Venue Agreement or any renewal or extension of the term, we will not bid for, operate or grant others the right to operate another CREAM Business at the Non-Traditional Venue.

ITEM 13
TRADEMARKS

During the term of the Franchise Agreement, we grant you a license to use the mark as reproduced on the cover page of this Disclosure Document and any other trademarks authorized for a CREAM Business (all collectively referred to in this Item as "Marks"). Your continuing ability to use the Marks depends on following all applicable standards, specifications and operating procedures as set forth in our Franchise Agreement and our confidential Operations Manual. We are owner of the following marks, which are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Mark	Registration Date	Registration Number	Register
CREAM (COOKIES RULE EVERYTHING AROUND ME)	February 7, 2012	4095831	Principal
	March 20, 2012	4114165	Principal

Mark	Registration Date	Registration Number	Register
	October 15, 2013	4418046	Principal
	November 17, 2015	4855023	Principal

We have, and will continue to, file all affidavits and other documents with the USPTO to maintain the federal registration described above. There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court; no pending interference, opposition or cancellation proceedings; nor any pending material litigation involving the Marks.

You must promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including the right to settle the proceedings or litigation. We have the exclusive right, but not the obligation, to affirmatively prosecute actions against third parties for infringement or threatened infringement of the Marks.

We have the right, though not the obligation, to defend you against any third-party claim, suit, or demand arising solely out of your use of the Marks in a manner expressly authorized by us. If we, in our sole discretion, determine that you have used the Marks in accordance with the Franchise Agreement and the Operations Manual, we will pay the cost of defending the action, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Marks in accordance with the Franchise Agreement and the Operations Manual, you will be required to pay for the defense or to reimburse us for costs we incurred in providing the defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Marks, you are required to sign all documents and assist us, as we deem necessary, to carry out the defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner not in accordance with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in performing such acts.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Marks in any state. Therefore, before entering into the Franchise Agreement, you should make every effort to ascertain that there are no existing uses of the Marks or confusingly similar marks being used in the market area where you wish to do business. You should immediately notify us of any confusingly similar marks you discover.

You cannot register any of the Marks now or hereafter owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue using of a website using the Marks.

You may use only the Marks which we designate, and may use them only in the manner we authorize and permit. Any goodwill associated with Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You may use the Marks only for the operation of the Business and only at the Business or in advertising for the Business. You must use all Marks without prefix or suffix and in conjunction with the symbols "SM," "TM," "S" or "R," as applicable. You may not use the Marks in connection with the offer or sale of any services or products which we have not authorized for use in connection with the System. You may not use the Marks as part of your corporate or other legal name. We must approve your corporate name and all fictitious names under which you propose to do business in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials "D/B/A" and the business name "CREAM." You must promptly register at the office of the county in which your Business is located, or such other public office as provided for by the laws of the state in which your Business is located, as doing business under your assumed business name.

You acknowledge that we and/or our affiliates are the lawful, rightful and sole owner of the Internet domain name www.creamnation.com, as well as any other Internet domain names registered by us, and you unconditionally disclaim any ownership interest in such domain names and any colorably similar Internet domain names. You agree not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

All of your advertising must prominently display the Marks and must comply with our standards for using the Marks. All such advertising is subject to our prior written approval, which we will not unreasonably withhold. We reserve the right to approve all signs, stationery, business cards, forms, and other materials and supplies bearing the Marks. You may use the Marks including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by the Franchise Agreement or by our prior written consent. You must submit to us and we must approve all advertising, publicity, signs, decorations, furnishings, equipment or other materials employing the Marks, or related marks, before first publication or use. We will not unreasonably withhold our approval. You must identify yourself as the owner of the Business (in the manner we prescribe) in conjunction with any use of the Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as we may designate in writing at the Business Premises.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. You must discontinue using all Marks which we have notified you, in writing, have been modified or discontinued within 10 days of receiving written notice and must promptly begin using such additional, modified or substituted Marks at your expense.

ITEM 14
PATENTS, COPYRIGHTS & PROPRIETARY INFORMATION

We do not own any registered patents or copyrights which are material to the franchise, however, we claim common law copyright and trade secret protection for several aspects of the System including our Operations Manual, advertising, and business materials.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of this unauthorized use. We may revise any of our copyrighted materials in our discretion, and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

During the term of the Franchise Agreement, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any trade secrets and confidential information, including but not limited to any proprietary recipes (if applicable), standards and specifications for food preparation, standards and specifications for the buildout of a Business, information about proprietary merchandise, any proprietary software we may now or in the future create, and the Operations Manual, trade secrets; price marketing mixes related to the sale of food and beverage items and any other goods or services offered or authorized for sale by System franchisees; our copyrighted materials; and methods and other techniques and know-how concerning the of operation of the Business which may be communicated to you or of which you may be apprised by virtue of your operation of a Business ("Confidential Information"). Our Confidential Information also includes (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers (subsections (i)-(iv) collectively "Customer Lists"), and (v) sources of suppliers. You may divulge this Confidential Information only to your employees who must have access to it to perform their employment obligations. You must require your manager and any personnel having access to any of our Confidential Information to sign an agreement stating that they will maintain the confidentiality of information they receive in connection with their employment and restricting their right to work for a competitor while they are employed by you. This agreement, which will be in a form that we prescribe, will identify us as a third party beneficiary to the agreement and will give us independent enforcement rights.

If you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of the Business, you must promptly notify us and provide us with all necessary related information, without compensation. Any such concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related thereto. You and your principals will assign to us any rights you may have or acquire therein, including the right to modify the concept, process or improvement, and otherwise must waive and/or release all rights of restraint and moral rights therein and thereto. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing these rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file anydocumentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any concept, process or improvement. In the event that these provisions are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement if this use or sublicense would otherwise directly or indirectly infringe your rights therein.

Under the Non-Traditional Venue Agreement, you must maintain the confidentiality of all business, technology, marketing, operational, and proprietary information we provide to you, such as the Operations Manual, operating procedures, training and service policies. The term "Confidential Information" does not include any information which (i) is not unique to us and is known to you prior to the signing of the Non-Traditional Venue Agreement, (ii) is or becomes generally known in the food and beverage industry other than through disclosure of Confidential Information by you, (iii) is disclosed to you by a third party lawfully in possession thereof and without restriction on disclosure, (iv) is independently developed by you without breach of the Non-Traditional Venue Agreement; or (v) is required to be disclosed by law or regulation or by proper order of a court of applicable jurisdiction.

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

Unless agreed otherwise in writing by us, you must devote full working time to the Business during the term of the Franchise Agreement. In the event you are given consent to devote less than full working time to the operation of the Business, our consent will be conditioned on you employing a competent individual, approved by us, who has been adequately trained by you. We must approve of the manager which we will approve in our sole discretion. If this individual has not been adequately training by you, he or she must successfully complete our then-current training requirements as provided for in Section 8.01 of the Franchise Agreement and Item 11 of this Disclosure Document before undertaking any responsibility at the Business. This individual must devote to the management of the Business at least the equivalent of the working time not devoted by you; and provided further, that if you are at any time, by reason of sickness, disability or other cause, rendered unable to devote full working time to the operation, you must employ one or more substitutes, all to the end that there shall be devoted to the management of the Business at all times at least the full working time of one competent individual who has successfully completed our training program.

We also require that any manager employed by you enter into a written confidentiality agreement. Your Franchise Agreement may be assigned to an entity (corporation or partnership) that you control. We do not require that your manager(s) have an ownership interest in the Business.

Under the Non-Traditional Venue Agreement, you must have a trained employee operating the Business at the Non-Traditional Venue at all times.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must (1) offer and sell only those custom frozen dessert, cookie, ice cream sandwiches and related products, that we have authorized for sale in writing; (2) offer and sell all types products and services we specify; (3) refrain from any deviation from our standards and specifications without our prior written consent; and (4) discontinue offering and selling any products or services which we may, in our discretion, disapprove in writing at any time. There are no contractual limits on our right to make changes or improvements to the products and services offered as part of our system, and we reserve the right to change all or any of these. You are responsible for all costs associated with making changes and/or improvements to the Premises or the products and services by the Business as a result of modifications to the System. All products and services must meet our then-current standards and specifications, as specified in our Operations Manual or otherwise in writing.

Under the Non-Traditional Venue Agreement, the menu will be attached as an exhibit to the Agreement. Except for those menu items listed in the menu, you may not carry any other menu items at the Business in the Non-Traditional Venue without our prior written approval.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

These tables list certain important provisions of the franchise agreement, development agreement and related agreements. You should read these provisions in the agreements attached to this disclosure document

A. FRANCHISE AGREEMENT

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	2.01	Ten years from the date of signing.
b. Renewal or extension of the term	2.02	If you are in good standing you can exercise two (2) successive terms of five (5) years each.

Provision	Section in Franchise Agreement	Summary
c. Requirements for franchisee to renew or extend	2.02	In order to renew, you must: (a) notify us of your intent to renew no earlier than 180 days prior to expiration of your previous term; (b) not be in default of the Franchise Agreement; (c) all monetary obligations owed by you to us have been fully satisfied prior to the commencement of the extension term; (d) execute our then-current form of Franchise Agreement which shall waive any initial franchise fee but may contain materially different terms; and (d) sign a general release, in a form prescribed by us, of any and all claims against us, and our officers, directors, agents and employees, arising out of or relating to the Franchise Agreement; (e) agree in writing to remodel, refurbish and renovate the Premises; (f) satisfied the then-current training requirements for renewing franchisees; and (g) pay to us a renewal fee in the amount of $3,000.
d. Termination by franchisee	None	Not applicable.
e. Termination by franchisor without cause	None	Not applicable.
f. Termination by franchisor with cause	13	We may terminate your Franchise Agreement with cause.
g. "Cause" defined – curable defaults	13.03	We may terminate your agreement following a 15-day cure period if you: (a) fail to pay sums owed to us, our affiliates, or our major vendors and suppliers; (b) under-report royalty or advertising fees or expenditures by more than two percent (2%) or fail to submit timely reports or payments for any two (2) reporting periods in a 12-month period; (c) fail to immediately endorse and deliver to us any payments due to us from a third party that are erroneously remitted to you; (d) fail to maintain sufficient levels of inventory; (e) fail to open your Business within 12 months of the date we sign your franchise agreement; (f) fail to maintain the required days and hours of operation at your Business; (g) fail to personally supervise the day-to-day operation of the Business or fail to employ a sufficient number of qualified, competent trained personnel; (h) fail to maintain the strict quality controls reasonably required by your franchise agreement and/or the Operations Manual; (i) conduct yourself in a manner that reflects adversely on the System, the Marks, or the services or products offered through the System; or (j) fail to procure or maintain any licenses, certifications, or permits necessary for the operation of your Business.

Provision	Section in Franchise Agreement	Summary
	13.04	We may terminate your agreement following a 30-day cure period if you fail to perform or comply with any one or more of the terms or conditions of your franchise agreement or any ancillary agreements between you and us or our affiliates.
h. “Cause” defined – non-curable defaults	13.01	Your Franchise Agreement will automatically terminate if: (a) you make an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or acquiesce in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or acquiesce in the appointment of a trustee or receiver for you or the Business; (b) proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and the proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for you or the Business without your consent, and the appointment is not vacated within 60 days; or (c) you attempt to make an unauthorized sale or transfer of you or any interest in the Business.
	13.02	We may terminate your Franchise Agreement upon notice but without providing you with an opportunity to cure if: (a) you or your principals are convicted of or plead guilty or no contest to a felony or take part in any criminal misconduct relevant to the operation of your Business; (b) you or your principals commit any fraud or misrepresentation in the operation of your Business; (c) you or your principals make any misrepresentation or omission in connection with your franchise application: (d) you fail to successfully complete initial training; (e) we send you two (2) or more written notices to cure pursuant to Sections 13.03 or 13.04 of your franchise agreement in any 12-month period; (f) you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any agreement, or any lease for the Premises, and fail to cure the breach within any permitted period for cure; (g) you or your principals materially violate any provision of the Franchise Agreement relating to Marks or Confidential Information or misuse the Marks or Confidential Information; (h) you violate any health, safety, or sanitation law, ordinance or regulation, or operate the Business in a manner that presents a health or safety hazard to customers, or the general public; (i) you violate the in-term restrictive covenant in your franchise agreement; (j) a levy of writ of attachment or execution or any other lien is placed against you or your principals or any of their assets which is not released or bonded against within 30 days; (k) you or your principals become insolvent; (l) you abandon the Business; (m) you offer any unauthorized and unapproved products or services at or from the Business; (n) you order or purchase supplies, signs, furnishings, fixtures, equipment or inventory from any currently unapproved supplier or any supplier which we have not approved; (o) you misuse or make unauthorized use of our Proprietary Software, servers, email systems and Franchisor’s social media sites, if any; (p) you fail to maintain insurance or otherwise

Provision	Section in Franchise Agreement	Summary
		adhere to our insurance requirements; (q) you fail, within 15 days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the Business; (r) any government action is taken against you that results in any obligation upon us which in our sole judgment is uneconomical, not in our best interests, or would result in us having an unintended relationship or obligation; (s) you fail to comply with the anti-terrorist provision of your Franchise Agreement; (t) you take for your own personal use any assets or property of the Business, including employee taxes, FICA, insurance or benefits; or (u) there are insufficient funds in your bank account to cover a check or EFT payment to us three (3) or more times within any 12-month period.
i. Franchisee's obligations on termination/non-renewal	14.01	Upon termination or expiration and non-renewal of the Franchise Agreement, you must: (a) cease immediately all operations under the Franchise Agreement; (b) pay us immediately all unpaid fees and pay us, our affiliates, and our designated suppliers and vendors all other monies owed; (c) discontinue immediately the use of the Marks; (d) immediately return the Operations Manual to us, along with all other manuals and Confidential Information we loaned to you, and immediately and permanently cease use of any Confidential Information; (e) immediately cease using all telephone numbers and listings, facsimile numbers and listings, and Internet listings used in connection with the operation of the Business and direct the applicable company to transfer all such numbers and listings to us or our designee under the Conditional Assignment of Telephone Numbers attached to the Franchise Agreement as Exhibit 4 or, if we direct, to disconnect the numbers and delete the listings; (f) immediately vacate the Premises if we exercise our rights pursuant to the Collateral Assignment of Lease attached to the Franchise Agreement as Exhibit 3; (g) promptly surrender all stationery, printed matter, signs, advertising materials and other items containing the Marks, and all items which are a part of the trade dress of the System, as we direct; (h) cease to hold yourself out as our franchisee; (i) take such action as shall be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Mark we licensed to you, and furnish us evidence satisfactory to us of compliance with this obligation within 30 calendar days after the termination, expiration or transfer of the Franchise Agreement; (j) permit us to make final inspection of your financial records, books, and other accounting records at any time within six (6) months of the effective date of termination, expiration, or transfer; (k) comply with the post-termination covenants set forth in Section 15 of the Franchise Agreement, all of which shall survive the transfer, termination or expiration of the Franchise Agreement; (l) cease to use in advertising or in any other manner, any methods, procedures or techniques associated with us or the System; and (m) execute from time to time any necessary papers, documents, and assurances to effectuate the intent of Section 14 of the Franchise Agreement.
j. Assignment of contract by franchisor	12.06	We may freely assign our rights under the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
k. "Transfer" by franchisee – defined	12.01	Any voluntarily, involuntarily, direct or indirect transfer of the Franchise Agreement, the Business, or any part or all of the ownership of you (including, but not limited to voting stock, securities convertible thereto, partnership and sole proprietorship interests).
l. Franchisor approval of transfer by franchisee	12.01	We have the right to approve all transfers which will not be unreasonably withheld as long as certain conditions are satisfied.
m. Conditions for franchisor approval of transfer	12.01	We may condition our approval of a transfer on the following occurrences: (a) the proposed transferee meets our uniform standards of qualification then applicable with respect to all applicants for a CREAM franchise including, our then-current minimum net worth requirement; (b) all of your obligations under all written contracts and agreements between you and us, our affiliates, or our approved/designated suppliers are fully satisfied and you are not in default thereunder; (c) a transfer fee in the amount of $7,500 is paid to you at least thirty (30) days prior to the effective date of the transfer; (d) the transferee signs and agrees to be bound by the then-current form of franchise agreement; (e) the proposed transferee attends and completes all segments of the training program to our satisfaction and pays us our then-current training fee for attendance at the initial training program; (f) except to the extent limited by applicable law, you, your owner(s), and the transferee (if it has had any previous relationship with us or our affiliates) have executed a general release, in a form satisfactory to us; (g) all of your accrued monetary obligations to us, our affiliates, and our designated suppliers and vendors, are satisfied; (h) you (and your principals if you are a partnership, corporation or limited liability company), and the members of their respective families must comply with the post-termination provisions of the Franchise Agreement; (i) the transferee must obtain, within the time limits set by us, and maintain thereafter, all permits and licenses required for the operation of the Business; (j) to the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer; (k) the transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises; (l) you must request that we provide the prospective transferee with our then-current form of franchise disclosure document; (m) our approval of the transfer will not constitute a waiver of any claims we may have against you; (n) we may disclose to any prospective transferee such revenue reports and other financial information concerning you and your Business that you supplied to you; (o) you are responsible for payment of all commissions or other monies due from the sale of the Business if: (i) you listed the Business with a broker; or (ii) transferee is referred to us by a broker lead referral network or otherwise; and (p) we approve the material terms and conditions of the assignment, which approval shall not be unreasonably withheld, including particularly a determination that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Business by the proposed transferee in compliance with the terms and conditions of the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	12.03	We have 30 days to match any offer for your Business. If we do not exercise our right of first refusal, you must execute the purchase no later than 60 days after notification. For transfers of more than 50% interest of the Business, we have a right to buy 100% interest in the Business.
o. Franchisor's option to purchase franchisee's business	14.02	Upon termination or expiration of your franchise agreement, we have the option, but not the obligation, to purchase any personal property used in connection with operation of your Business by providing you written notice within 30 calendar days after termination or expiration and paying you the book value for such personal property within 90 calendar days of the notice. We may exclude from the personal property purchased any cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Business's operation or that we have not approved as meeting standards for the Business.
p. Death or disability of franchisee	12.02	Your interest must be transferred to an approved party within a reasonable time, not to exceed 120 days. We have the right to manage during interim period if the Business is not run properly.
q. Non-competition covenants during the term of the franchise	15.01	You may not (a) own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any ice cream or frozen dessert shop, bakery, café, or dessert shop primarily serving ice cream, frozen yogurt, cookies and other baked goods, or any other business offering products and services offered or authorized for sale by System franchisees ("Competing Business"), aside from the operation of any other CREAM Business; (b) employ or seek to employ any person who is at that time employed by us, our affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce this person to leave his or her employment; or (c) divert or attempt to divert any business or customer or prospect of the 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 or the System.
r. Non-competition covenants after the franchise is terminated or expires	15.02	For a period of two (2) years after the expiration and nonrenewal, transfer or termination of your Franchise Agreement, you may not enter into any business competing in whole or in part with us in granting franchises or licenses to operate a Competing Business at the time your franchise agreement is terminated or otherwise expires and is not renewed. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of your Franchise Agreement, regardless of the cause, you may not: (a) own, maintain, engage in, be employed by, or have any interest in any Competing Business at the time of termination or expiration and nonrenewal, (1) at your Business; (2) within your Territory; or (3) within a radius of 30 miles of the perimeter of (i) your Territory or (ii) any other Territory licensed by us as of the date of expiration or termination of your franchise agreement; or (b) solicit business from customers of your former Business or contact any of our suppliers or vendors for any competitive business purpose, nor solicit any employees of us, our affiliates or System franchisees to cease their employment with us, our affiliates or System franchisees.

Provision	Section in Franchise Agreement	Summary
s. Modification of the agreement	18.02	Any modification of Franchise Agreement must be in writing and signed by both parties.
t. Integration/merger clause	18.02	Contract contains the entire understanding of the parties. Other promises, etc. are not enforceable unless in writing and signed by both parties. 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	16.01-16.02	You must bring all disputes before our President and/or Chief Executive Officer prior to brining a claim before a third party. After exhausting this internal dispute resolution procedure, at our option, all claims or disputes between you and us must be submitted first to mediation in San Mateo County, California in accordance with the American Arbitration Association’s Commercial Mediation Rules then in effect (subject to state law).
v. Choice of forum	16.03	All claims not subject to mediation must be brought before a court of general jurisdiction in San Mateo County, California, or the United States District Court for the Northern District of California.
w. Choice of law	18.05	The franchise agreement is governed by the laws of the State of California (subject to state law).

B. DEVELOPMENT AGREEMENT

Provision	Section in Development Agreement	Summary
a. Term of franchise	6.1	The Development Agreement will commence on the date it is fully-executed and end on the last day of the calendar month that the final Business is required to be opened and operating under the Development Schedule.
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	Not Applicable	Not Applicable.
e. Termination by us without cause	Not Applicable	Not Applicable.
f. Termination by us with cause	6.2	We may terminate your Development Agreement with cause.
g. Cause defined - default which can be cured	Not Applicable	Not Applicable.

Provision	Section in Development Agreement	Summary
h. Cause defined - default which cannot be cured	6.2	Your Development Agreement can be terminated by us if: (i) you cease to actively engage in development activities in the Development Area or otherwise abandon your development business for three (3) consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Businesses within the Development Area; (ii) you become insolvent or are adjudicated bankrupt, or if any action is taken by you, or by others against you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit or creditors or a receiver is appointed by you; (iii) you fail to meet your development obligations under the Development Schedule for any one Development Period, and fail to cure such default within 30 days of receiving notice thereof; and (iv) any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement.
i. Your obligations on termination/ non-renewal	Not Applicable	Not Applicable.
j. Assignment of contract by us	8	We have the right to assign our rights under the Development Agreement.
k. "Transfer" by you - definition	8	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l. Our approval of transfer by franchisee	8	You may not transfer any rights or obligations under the Development Agreement without our prior written consent.
m. Conditions for our approval of transfer	Not Applicable	Not Applicable.
n. Our right of first refusal to acquire your business	Not Applicable	Not Applicable.
o. Our option to purchase your business	Not Applicable	Not Applicable.
p. Your death or disability	Not Applicable	Not Applicable.
q. Non-competition covenants during the term of the franchise	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
s. Modification of the Franchise Agreement	27	Any modification of the Development Agreement must be in writing and signed by both parties.

Provision	Section in Development Agreement	Summary
t. Integration/ merger clauses	25	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and the Development Agreement may not be enforceable.
u. Dispute resolution by mediation	13	At our option, all claims or disputes between you and us must be submitted first to mediation in Millbrae, California in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect and if mediation is not successful, then by litigation.
v. Choice of forum	15	All claims not subject to mediation must be brought before a court of general jurisdiction in San Mateo County, California and the jurisdiction and venue of the United States District Court for the Northern District of California. You consent to the personal jurisdiction and venue of these courts. (subject to state law)
w. Choice of law	11	The Development Agreement is governed by the laws of the State of California. (subject to state law)

C. NON TRADITIONAL VENUE AGREEMENT

Provision	Section in Non-Traditional Venue Agreement	Summary
a. Length of the franchise term	7.1	Continuous with term of lease.
b. Renewal or extension of the term	7.2	Successive renewals or extensions of lease.
c. Requirements for you to renew or extend	7.2	We may require that you sign a new non-traditional venue agreement which may provide for higher or different payments than under the current Non-Traditional Venue Agreement.
d. Termination by franchisee	8.2	You may not terminate the Non-Traditional Venue Agreement. You have the right to relocate or close, temporarily or permanently, the Business to another site within the Non-Traditional Venue when required by or directed by the landlord pursuant to the lease; in conjunction with a refurbishment and reconcepting plan; or in conjunction with the renegotiation or extension/renewal of the lease, or other lease or concession agreements granted by the landlord or its agents.
e. Termination by franchisor without cause	None	Not Applicable.
f. Termination by franchisor with cause	8.1	We may terminate for cause.
g. Cause defined – curable defaults	8.1(c)	You have 10 days to cure monetary defaults and 30 days to cure other defaults not listed in (h) below.

Provision	Section in Non-Traditional Venue Agreement	Summary
h. "Cause" defined- non-curable defaults	8.1(a), 8.1(b)	You become insolvent, make an assignment for the benefit of creditors, file or become bankrupt or if a receiver, transfer or liquidation is approved.
i. Franchisee's obligations on termination/non-renewal	8.4	You must cease operating as a CREAM Business, pay us and our affiliates and suppliers amounts owed, stop using the Marks and cease all advertising of the CREAM Business, return all manuals, Confidential Information and other materials, amend all assumed name filings, comply with all post-term covenants, and permit us to make a final inspection of your books and records.
j. Assignment of contract by franchisor	9.1	We may assign the Non-Traditional Venue Agreement to any other person, firm or entity.
k. "Transfer" by franchisee-defined	9.2	Includes assignment or sale of interests in the Non-Traditional Venue Agreement and sale of a controlling interest in you, if you are a business entity.
l. Franchisor approval of transfer by franchisee	9.2	We must consent to any assignment or transfer.
m. Conditions for franchisor approval of transfer	9.2	Transferee meets our requirements for operating the Business, and you must be in compliance with the Non-Traditional Venue Agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	None	Not Applicable.
o. Franchisor's option to purchase franchisee's business	8.3	We may purchase all assets of the Business at book value and take an assignment of the lease.
p. Death or disability of franchisee	None	Not Applicable.
q. Non-competition covenants during the terms of the franchise	10.1 (a)	No interest or involvement in any competitive business.
r. Non-competition covenants after the franchise is terminated or expires	10.1(b)	No interest or involvement in any competing business for a period of 2 years located at the Non-Traditional Venue.
s. Modification of the agreement	12.9	No modification or amendment unless agreed to by both parties.
t. Integration/merger clause	12.14	No other agreement between the parties. Any representation or promises outside the disclosure document may not be enforceable.
u. Dispute resolution by arbitration or mediation	12.5	Must exhaust internal dispute resolution procedures before commencing legal proceedings.
v. Choice of forum	12.5	All legal proceedings must be brought in any court of general jurisdiction in San Mateo County and the jurisdiction of the U.S. district court for the Northern District of California.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Franchisor's management by contacting Jimmy Shamieh at 1799 El Camino Real, Millbrae, California 94030, (650) 754-6640, and email to jimmy@creamnation.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS & FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For fiscal years ending 2017 to 2019

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017	22	23	+1
	2018	23	25	+2
	2019	25	23	-2
Company-Owned and Affiliate-Owned	2017	3	3	0
	2018	3	3	0
	2019	3	3	0
Total Outlets	2017	25	26	+1
	2018	26	28	+2
	2019	28	26	-2

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For fiscal years ending 2017 to 2019

State	Year	Number of Transfers
California	2017	2
	2018	0
	2019	4
Totals	2017	2
	2018	0
	2019	4

Table No. 3
Status of Franchised Outlets
For fiscal years ending 2017 to 2019

State	Year	Outlets at Start of the Year	Outlets Added	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California	2017	19	2	0	0	0	3	18
	2018	18	3	0	0	0	2	19
	2019	19	3	2	0	0	3	17

State	Year	Outlets at Start of the Year	Outlets Added	Termina -tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Colorado	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Florida	2017	1	2	0	0	0	0	3
	2018	3	1	0	0	0	0	4
	2019	4	2	0	0	0	1	5
Nevada	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	1	1
	2019	1	0	0	0	0	1	0
Total	2017	22	4	0	0	0	3	23
	2018	23	5	0	0	0	3	25
	2019	25	5	2	0	0	5	23

Table No. 4
Status of Company-Owned and Affiliate-Owned Outlets
For fiscal years ending 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2017	3	0	0	0	0	3
	2018	3	0	0	0	0	3
	2019	3	0	0	0	0	3
Total Outlets	2017	3	0	0	0	0	3
	2018	3	0	0	0	0	3
	2019	3	0	0	0	0	3

Table No. 5
Projected Openings As of December 31, 2019

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	10	0	0
Florida	28	1	0
Total	38	1	0

The name of each of our franchisees and the address and telephone number of each of their outlets as of the date of this Disclosure Document is set forth in **Exhibit E**.

The name and last known home address and telephone number of every franchisee who has had a Franchise Agreement transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement since our formation or who has not communicated with us within 10 weeks of the date of this Disclosure Document is listed on **Exhibit E** to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no signed confidentiality agreements restricting the ability of our franchisees to speak openly about their franchise ownership experience.

There are no trademark specific franchisee organization associated with this franchise system.

ITEM 21
FINANCIAL STATEMENTS

Exhibit A of this Disclosure Document contains our audited financial statements as of December 31, 2017, December 31, 2018, and December 31, 2019. Our fiscal year end is December 31.

ITEM 22
CONTRACTS

The following contracts, agreements and other relevant documents are attached as Exhibits to this Disclosure Document:

Exhibit B – CREAM, Inc. Franchise Agreement
- Exhibit 1 -- Site Selection Addendum
- Exhibit 2 -- Personal Guaranty
- Exhibit 3 -- Collateral Assignment of Lease
- Exhibit 4 -- Conditional Assignment of Franchisee’s Telephone Numbers, Facsimile Numbers, and Domain Names
- Exhibit 5 -- Confidentiality and Restrictive Covenant Agreement
- Exhibit 6 -- Electronic Funds Withdrawal Authorization

Exhibit C – Development Agreement
Exhibit H – Statement of Franchisee
Exhibit I – Non Traditional Venue Agreement

ITEM 23
RECEIPTS

Exhibit J of this Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to Jimmy Shamieh at CREAM, Inc., 1799 El Camino Real, Millbrae, California 94030, (650) 754-6640.

EXHIBIT A

FINANCIAL STATEMENTS

Cream, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2019

Cream, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2019

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UltraCPA LLP

Independent Auditor's Report

To the Board of Directors of
Cream, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Cream, Inc. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conduct 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cream, Inc. and its subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Millbrae, California
May 5, 2020

UltraCPA LLP
UltraCPA LLP

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Cream, Inc. and Subsidiaries
Consolidated Balance Sheet
As of December 31, 2019

Assets		
Current assets		
Cash and cash equivalents	$	682,219
Accounts receivable, net		70,679
Related party receivables		134,586
Prepaid expenses		9,714
Total current assets		897,198
Non-current assets		
Property and equipment, net		21,527
Intangible assets, net		14,289
Operating lease right of use assets, net		467,034
Goodwill		123,000
Deposits		17,163
Total non-current assets		643,013
Total Assets	$	1,540,211
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities		
Operating lease liabilities - current	$	147,798
Accounts payable		106,278
Accrued liabilities		28,614
Related party payables		45,197
Deferred tax liabilities		16,310
Unearned revenue		359,872
Total current liabilities		704,069
Non-current liabilities		
Operating lease liabilities – non-current		341,197
Total non-current liabilities		341,197
Total Liabilities	$	1,045,266
Stockholders' Equity		
Common stock (100,000 shares authorized with nil par value; 100,000 shares issued and outstanding)	$	-
Additional paid in capital		5,000
Retained earnings		489,945
Total stockholders' equity		494,945
Total Liabilities and Stockholders' Equity	$	1,540,211

Cream, Inc. and Subsidiaries
Consolidated Statement of Operations
For the year ended December 31, 2019

Revenue		
Ice cream sales	$	1,002,292
Initial franchise fees		22,500
Royalty fees		394,402
Brand fees		155,796
Manufacturer rebate		270,963
Total revenue		1,845,953
Operating costs and expenses		
Cost of ice cream		261,334
Selling expense		305,258
General and administrative expenses		1,588,915
Total operating costs and expenses		2,155,507
Operating loss		(309,554)
Other income /(expense)		
Other income		14,430
Other expense		(22,714)
Total other expense		(8,284)
Loss before taxes		(317,838)
Income taxes		2,400
Net loss	$	(320,238)

Cream, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
As of and for the year ended December 31, 2019

	Common Stock		Additional Paid In	Retained	
	Shares	**Capital**	**Capital**	**Earnings**	**Total**
Balance at beginning of year	100,000	$ -	$ 5,000	$ 810,183	$ 815,183
Net loss	-	-	-	(320,238)	(320,238)
Balance at end of year	100,000	$ -	$ 5,000	$ 489,945	$ 494,945

Cream, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the year ended December 31, 2019

Cash Flows from Operating Activities		
Net loss	$	(320,238)
Adjustment to reconcile net loss to net cash provided by operating activities		
Amortization		2,765
Depreciation		42,646
Changes in operating assets and liabilities:		
Accounts receivable		12,759
Other receivables		18,360
Prepaid expenses		7,506
Related party receivables		87,333
Operating lease liabilities		21,961
Accounts payable		(28,517)
Accrued liabilities		(15,664)
Related party payables		45,197
Unearned revenue		(6,133)
Net cash used in operating activities		(132,025)
Net cash provided by investing activities		-
Net cash provided by financing activities		-
Net change of cash and cash equivalents		(132,025)
Balance at beginning of the year		814,244
Balance at end of the year	$	682,219
Supplementary schedule of non-cash investing activities:		
Capitalized operating lease assets and liabilities	$	933,157
Supplementary cash flow information:		
Tax paid	$	2,400

1. **Nature of Business**

Cream, Inc. ("Cream") was incorporated under the laws of the State of California on March 15, 2011. Cream's primarily business is to operate and franchise ice cream parlors. Cream has developed and has the right to license trademark C.R.E.A.M. for the development and operation of ice cream sandwich shops specializing in customize ice cream, ice cream sandwiches, and related products throughout the United States of America. Cream grants franchise to use its network system and proprietary trademark C.R.E.A.M.

Business Acquisition

On February 4, 2014, Cream acquired the assets of Iced Investments, Inc. for total consideration of $382,000. The aggregate purchase price was allocated to the tangible and specifically identifiable intangible assets acquired based on their estimated fair values at the date of the date of the acquisition as follows:

Assets acquired:		
Property, plant, and equipment	$	77,000
Leasehold Improvements		172,000
Lease Deposit		10,000
Goodwill		123,000
Net assets acquired	$	382,000

On March 26, 2014, Cream of Palo Alto Inc. ("Cream of Palo Alto") was incorporated under the laws of the State of California. Cream of Palo Alto is a wholly-owned subsidiary of Cream. Cream of Palo Alto used the assets acquired from Iced Investments, Inc. to operate ice cream parlors in the city of Palo Alto.

Cream of Oakland Inc. ("Cream of Oakland"), a wholly-owned subsidiary of Cream, was incorporated under the laws of the State of California on February 4, 2015 and operates ice cream parlors in the city of Oakland.

Cream together with Cream of Palo Alto and Cream of Oakland are collectively referred to as the "Company".

The following table presents the information by ownership type change for the year ended December 31, 2019:

	1/1/2019	Addition	Termination	12/31/2019
Company-operated Ice Cream Parlors	3	-	-	3
Franchise Ice Cream Parlors	26	5	7	24
Licensed Ice Cream Parlors	2	-	-	2
Total	31	5	7	29

2. Significant Accounting Policies

Method of Accounting

The Company maintains its general ledger and journals with the accrual method of accounting. The Company has elected to present a single consolidated statement of operations and comprehensive loss. As the Company has no other comprehensive income, the loss for the year is equal to the total comprehensive loss. The consolidated financial statements and accompanying notes are representation of management. The Company's consolidated financial statements have been prepared in accordance to generally accepted accounting principles in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of Cream, Inc. and its subsidiaries Cream of Palo Alto and Cream of Oakland. All significant inter-company transactions and balances, such as due to/due from, investment in subsidiary, and subsidiary's capitalization have been eliminated.

Use of Estimates

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

Risk

Concentration of Credit Risk

The Company's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents. The Company places its cash and temporary cash investments with creditworthy institutions. At certain times, amounts on deposit exceed Federal Deposit Insurance Corporation insurance limits. As of December 31, 2019, the Company has $509,539 cash and cash equivalents in Bank of America in excess of the FDIC $250,000 insurance limit.

Litigation Risk

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. In January 2015, Flexpand, LLC ("Flexpand LLC") entered into an area representative agreement with the Company to develop new franchisees in the C.R.E.A.M. franchise system in Florida. On February 19, 2019, Flexpand LLC filed a lawsuit against the Company and the Company's shareholder and CEO Jamal Shamieh in the United States District Court for the northern district of California.

The Company and Jamal are vigorously defending the complaint. On March 13, 2019, the Company filed a motion to dismiss and motion to strike the complaint. On August 7, 2019, the Court granted in part and denied in part the motion to dismiss and denied the motion to strike.

On September 4, 2019, the Company filed a counterclaim against Flexpand LLC and its members Armando Martinez, Corina Stone, and Fernando Guillen. On September 24, 2019, Flexpand LLC filed a motion to dismiss the counterclaim. On December 5, 2019, the Company and Flexpand LLC submitted a joint case management statement and proposed order. A non-jury trial was scheduled in the fourth quarter of 2020 or the first quarter of 2021.

The litigation is ongoing and is expected to continue into 2021 (See *Note #8 – Subsequent Events*), unless there is a pre-trial resolution by settlement or motion. Based on the inherent uncertainties of litigation, the management has no opinion as to the likelihood of success of the Company's defense of the claims by Flexpand LLC or the likelihood of success of the Company's counterclaim against Flexpand LLC and its members. These consolidated financial statements do not include any adjustments that may result from the outcome of the litigations.

Cash and Cash Equivalents

The Company classifies the following instruments as cash and cash equivalents: cash on hand, unrestricted bank deposits, and all highly liquid investments purchased with original maturities of three months or less.

Accounts Receivable

Accounts receivable is disclosed at the net value of all outstanding invoice amounts less management's estimate for doubtful accounts. Management regularly reviews outstanding accounts and provides an allowance for doubtful accounts. When collection of the original invoice amount is no longer probable, the Company will either partially or fully write-off the balance against the allowance for doubtful accounts.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the assets. Major renewals are capitalized and depreciated; maintenance and repairs that do not extend the life of the respective assets are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of operations. Estimated useful lives of the property and equipment are as follows:

Assets Class	***Estimated Useful Life***
Leasehold improvement	Shorter of economic life or remaining lease term
Machinery and equipment	5 years

Intangible Assets

The Company's only intangible asset is its trademark C.R.E.A.M, which is carried at its original registration cost less accumulated amortization.

Goodwill

Goodwill is not amortized but is tested for impairment, annually on December 31, at the reporting unit level. The Company assesses the estimated fair value of the reporting unit using a market-based approach. If the carrying amount of the reporting unit exceeds the fair value of the reporting unit, an impairment charge is recognized in an amount equal to the excess of the carrying amount of the reporting unit goodwill over implied fair value of that goodwill.

Accounting for Impairment or Disposal of Long-Lived Assets

The Company has adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), ASC 360-10-35. The Company evaluates its long-lived assets for impairment when indicators of impairment are present or annually, whichever occurs sooner. When there are indications of impairment, the Company will record a loss to statement of operations equal to the difference between the carrying value and the fair value of the long-lived assets. The Company typically, but not exclusively uses the expected future discounted flows method to determine fair value of long-lived assets subject to impairment. The fair value of long-lived assets that held for disposition will include the cost of disposal.

The Company's long-lived assets are grouped by their presentation on the consolidated balance sheet, and further segregated by their operating and assets type. Long-lived assets subject to impairment include the property and equipment, the intangible assets and goodwill. The Company makes its determinations based on various factors that impact the carrying value of the long-lived assets.

On December 31, 2019, the Company assessed its long-lived assets and concluded that there were no long-lived assets subject to impairment loss for the year then ended.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities - current, and operating lease liabilities – non-current on the consolidated balance sheets.

ROU assets represent the Company's right to use underlying assets for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's lease does not provide an implicit rate, the Company uses incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU assets also include any lease payments made and exclude lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. *See Note #6 - Operating Lease Obligations.*

Unearned Revenue

Gift cards in the amounts of $359,872 that have been sold but not been redeemed by customers were recorded as unearned revenue as of December 31, 2019.

Revenue Recognition

The Company's revenues mainly consist of 1) cream sales by Company-operated ice cream parlors, 2) fees from franchised stores operated by franchisees, such as a) franchise royalty fees, b) brand fees and c) initial franchise fees, and 3) rebate from manufacture.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. This standard does not impact the Company's recognition of revenue from Company-operated stores as those sales are recognized on a cash basis at the time of the underlying sale and are presented net of sales tax and other sales-related taxes. The standard also does not change the recognition of royalties and brand fees from stores operated by franchisees, which are based on a percent of sales and recognized at the time the underlying sales occur.

The Company's accounting policy through December 31, 2017, was to recognize initial franchise fees when received, upon a new store opening and at the start of a new franchise term. Beginning in January 1, 2018, the new standard does not change the timing in which the Company recognizes initial fees from franchisees for new store openings and new franchise terms because the Company determines that some or all of the pre-opening service are distinct as well as the standalone selling price for each distinct good or service.

Ice Cream Sales

Ice cream sales are revenue from company-operated ice cream parlors in Palo Alto, Oakland, and AT&T Giants Stadium. On April 1, 2017, Cream entered into a subcontractor agreement with Bon Appetit Management Company ("Bon Appetit"), who provides food, beverage concessions, and catering services at AT&T Giants Stadium located in San Francisco. Pursuant to the agreement, Cream is granted to sell food products mainly ice cream in the area designated by Bon Appetit inside of the stadium. The agreement is renewed annually.

Initial Franchise Fees

In consideration of granting a franchise the rights and privilege to exclusively operate under the Company's system and proprietary service mark C.R.E.A.M., the Company collects an initial franchise fee from its franchisee. The initial franchise fee is $30,000, which is due upon execution of franchise agreement. The initial franchise fee is non-refundable under any circumstances.

Royalty Fees

Franchisees shall pay the Company royalty fee in the amount of the greater of a monthly $2,000 or a percentage of monthly gross sales depends on individual franchise or license agreement. See *Note #5 - Franchise Arrangement.*

Brand Fees

Franchisees shall pay the Company brand fee for 2% of monthly gross sales. See *Note #5 - Franchise Arrangement.*

Manufacturer Rebate

Manufacturer rebate is reimbursement paid by suppliers.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable and payable, operating lease ROU assets, and operating lease liabilities. Management believes the recorded value of each financial instrument approximates its fair value in all material respects.

Income Taxes

a) Cream, Inc.

Effective March 15, 2011, Cream has elected to be treated as a pass-through entity for Federal and California income tax purposes and, as such, Cream is not subject to income taxes. Rather, all items of taxable income, deductions, and credits are passed through to and are reported by its owner on their respective income tax returns. Cream is required file and does file tax returns with the Internal Revenue Service, the State of California, and other taxing authorities, as applicable. Accordingly, these financial statements do not reflect a provision for Federal income taxes and Cream has no tax positions which must be considered for disclosure. California Franchise Tax Board imposes a minimum franchise fee and income tax at a substantially reduced rate. During the year 2019, Cream was subject to California minimum franchise fee $800.

b) Cream of Palo Alto and Cream of Oakland

Cream of Palo Alto and Cream of Oakland account for income taxes in accordance with ASC 740 (formerly SFAS 109, "Accounting for Income Taxes.") Under the asset and liability method as required by ASC 740, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under ASC 740, the effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion, or all of, a deferred tax asset will not be realized.

ASC 740 clarifies the accounting and disclosure for uncertain tax positions and prescribes a recognition threshold and measurement attribute for recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under ASC 740, evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met.

As of December 31, 2019, Cream of Palo Alto and Oakland recorded total $129,382 deferred tax assets on the balance sheet. However, the Company was uncertain when these deferred tax assets can be realized in future. Therefore, full valuation allowance has been accrued to offset the deferred tax assets.

For the year ended December 31, 2019, Cream of Palo Alto and Cream of Oakland had operation losses. Each entity is only subjected to $800 California franchise tax.

Subsequent Events

The Company evaluates subsequent events that have occurred after the balance sheet date but before the consolidated financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) non-recognized, or those that provide evidence with respect to conditions that did *not* exist at the date of the balance sheet but arose subsequent to that date.

Based on this evaluation, the Company concluded that subsequent to December 31, 2019 but prior to May 5, 2020, the date the consolidated financial statements were available to be issued, there were two subsequent events that would require disclosure in the consolidated financial statements. See *Note #8 - Subsequent Events.*

Recent Accounting Pronouncements

In February, 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02) "Leases (Topic 842)". ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying assets not to recognize lease assets and liabilities. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted.

<u>For finance leases, a lessee is required to do the following:</u>

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position

- Recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of comprehensive income

- Classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows.

For operating leases, a lessee is required to do the following:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position
- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis
- Classify all cash payments within operating activities in the statement of cash flows.

In July, 2018, the FASB issued Accounting Standards Update No. 2018-11 (ASU 2018-11), which amends ASC 842 so that entities may elect not to recast their comparative periods in transition (the "Comparatives Under 840 Option"). ASU 2018-11 allows entities to change their date of initial application to the beginning of the period of adoption. In doing so, entities would:

- Apply ASC 840 in the comparative periods.
- Provide the disclosures required by ASC 840 for all periods that continue to be presented in accordance with ASC 840.
- Recognize the effects of applying ASC 842 as a cumulative-effect adjustment to retained earnings for the period of adoption.

In addition, the FASB also issued a series of amendments to ASU 2016-02 that address the transition methods available and clarify the guidance for lessor costs and other aspects of the new lease standard. The management has reviewed the accounting pronouncements and adopt the new standard.

3. Property and Equipment

Category of Assets		**Cost**		**Accumulated Depreciation**		**Net**
Leasehold Improvement	$	378,938	$	373,647	$	5,291
Machinery and Equipment		212,065		195,829		16,236
	$	591,003	$	569,476	$	21,527

The Company recorded $42,646 depreciation expense for the year ended December 31, 2019.

4. Intangible Assets

Category of Assets		**Cost**		**Accumulated Amortization**		**Net**
Trademark	$	27,659	$	13,370	$	14,289

The Company recorded $2,765 amortization expense for the year ended December 31, 2019.

5. Franchise Arrangement

Franchise arrangement generally provides payment of initial franchise fees, as well as continuing brand fees and royalties to the Company based upon a percent of sales with minimum monthly payments.

(a) Brand Fees:

The Company collects two percent (2%) of monthly gross sales from its franchisees as brand fees. Below tabulation summarizes the brand fees received from franchisees in different states.

States		Amount
California	$	132,244
Colorado		3,547
Florida		19,805
Nevada		200
Total	$	155,796

(b) Royalty Fees:

Franchisees shall pay the Company royalty fees based on a percentage of sales with a minimum monthly payment. Due to franchisee's short period of business establishment, the Company waives the minimum monthly fees and collects royalty fees based on percentage of monthly gross sales. Below tabulation summarizes the royalty fees received from franchisees in different states.

States		Amount
Alaska	$	10,536
California		333,384
Colorado		10,642
Florida		39,242
Nevada		598
Total	$	394,402

6. Operating Lease Obligations

a) Cream Inc.

Cream leases its corporate head office from Rama Investment Group LLC ("Rama LLC"), an investment holding entity 100% owned by Jamal and his family. The lease with Rama LLC is renewed on a yearly basis. Cream recorded $30,000 lease expense for the year ended December 31, 2019.

b) Cream of Palo Alto and Cream of Oakland

On September 11, 2014, Cream of Oakland entered into a lease agreement with Property Development Centers LLC ("PDC LLC"). The lease is expired after 7 years following commencement date July 1, 2015. Cream of Oakland has two options to extend the lease term for an additional period of 5 years each. Cream of Oakland is also required to reimburse PDC LLC common area maintenance costs("CAM") based on the percentage of occupancy rate. $6,863 security deposit was recorded on the consolidated balance sheet as of December 31, 2019.

On February 8, 2017, Cream of Palo Alto entered into a lease amendment with Ronnoco Properties ("Ronnoco") to extend the lease expiration date to May 30, 2023. The original lease was transferred from Iced Investments, Inc. upon the business acquisition in 2014, which was expired on May 30, 2017. Cream of Palo Alto is also required to reimburse Ronnoco CAM expenses based on the percentage of occupancy rate. $10,000 security deposit was recorded on the consolidated balance sheet as of December 31, 2019.

Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The discount rate used to calculate present value is incremental borrowing rate or, if available, the rate implicit in the lease. Cream of Oakland determines the incremental borrowing rate based on prime rate, which was 3.25% on July 1, 2015. Cream of Palo Alto determines the incremental borrowing rate based on the interest rate stated in the lease, which was 10% per annum. Future lease payments under lease terms are as follows:

Years Ended December 31,		**Payments**
2020	$	185,843
2021		189,865
2022		155,891
2023		49,884
Total future lease payment obligation	$	581,483
Less: discounted interest		(92,488)
Present value of future operating lease obligation	$	488,995
Current portion	$	147,798
Non-current portion	$	341,197

Operating lease right of use assets recorded in the consolidated balance sheet on December 31, 2019 were as follows:

Operating lease right of use assets	$	933,157
Less: accumulated amortization		(466,123)
Net	$	467,034

For the year ended December 31, 2019, Cream of Oakland and Cream of Palo Alto recorded $68,069 and $113,956 lease expenses, respectively.

7. Related Party Transactions

Related Party Receivable	Note		As of December 31, 2019
Jamal Shamieh	(a)	$	134,586

Related Party Payable	Note		As of December 31, 2019
Cream of Berkeley	(b)	$	10,997
Rama Investment Group LLC	(c)		34,200
Total		$	45,197

a. In the normal course of business, the Company advances funds to, borrows loans from, and pays wages to its shareholder and CEO Jamal Shamieh. If the Company has both receivables from, and payables to Jamal, in accordance with FIN 39 (FASB ASC 210-20), the Company will net off the balances in order to arrive at a single balance that is either due from, or due to Jamal. As of December 31, 2019, the Company recorded $134,586 related party receivable due from Jamal.

b. The Company conducts transactions, which include but not limited to the purchase of supply, sale of ice cream and staff training activities, with Jamal's sole proprietorship Cream of Berkeley. As of December 31, 2019, $10,997 related party payable due to Cream of Berkeley was recorded on the consolidated balance sheet. During the year 2019, the Company collected $16,482 brand fees from Cream of Berkeley.

c. The Company advances funds to and pays monthly rent to Rama LLC. As of December 31, 2019, the Company recorded $34,200 related party payable due to Rama.

8. Subsequent Events

a). Litigation Contingency

On January 9, 2020, Flexpand LLC filed a motion to dismiss the first amended counterclaim filed by the Company. *See Note #2 - Litigation Risk.* On January 23, 2020, the Company filed an opposition to Flexpand LLC's motion to dismiss the counterclaim. On January 29, 2020, Flexpand LLC submitted a reply in support of its motion to dismiss the counterclaim. On February 29, 2020, the litigation was referred to Magistrate Judge Sallie Kim for discovery. The litigation is on-going and is expected to continue into 2021.

b). COVID 19 – Coronavirus Impact

In January 2020, a novel strain of coronavirus was reported to have surface in the United States. The spread of this virus has caused business disruption beginning in February 2020, due to the closure of some ice cream parlors, modified operating hours in certain parlors that remain open, and resulting traffic declines. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while the Company expects this matter to negatively impact the results, the related financial impact cannot be reasonably estimated at this time.

Cream, Inc.

Consolidated Financial Statements

December 31, 2018

Cream, Inc.

Consolidated Financial Statements

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UltraCPA LLP

Independent Auditor's Report

To the Board of Directors of
Cream, Inc.:

We have audited the accompanying consolidated financial statements of Cream, Inc. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conduct 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cream, Inc. and its subsidiaries as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Millbrae, California
March 29, 2019

UltraCPA LLP
UltraCPA LLP

475 El Camino Real, Suite 208, Millbrae, CA 94030, U.S.A.
Tel: (650) 732-3008 | Web: www.UltraCPA.com | Email: info@UltraCPA.com

Cream, Inc.
Consolidated Balance Sheet
As of December 31, 2018

Assets		
Current assets		
Cash and cash equivalents	$	814,244
Accounts receivable, net		83,438
Other receivables		18,360
Related party receivable		221,918
Prepaid expenses		17,220
Total current assets		1,155,180
Non-current assets		
Property, plant and equipment, net		64,173
Intangible assets, net		17,055
Goodwill		123,000
Deposits		17,163
Total non-current assets		221,391
Total Assets	$	1,376,571
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities		
Accounts payable	$	134,794
Accrued liabilities		44,279
Deferred tax liabilities		16,310
Unearned revenue		366,004
Total current liabilities		561,387
Total Liabilities	$	561,387
Stockholders' Equity		
Share capital (100,000 shares authorized; 100,000 shares issued and outstanding)	$	5,000
Retained earnings		810,184
Total stockholders' equity		815,184
Total Liabilities and Stockholders' Equity	$	1,376,571

Cream, Inc.
Consolidated Statement of Operations
For the year ended December 31, 2018

Revenue		
Initial franchise fees	$	60,000
Franchise royalty fees		424,484
Manufacture rebate		301,484
Brand fees		185,862
Cream sales		1,288,468
Total revenue		2,260,298
Cost of revenue		
Cost of cream		284,892
Gross profit		1,975,406
Operating expenses		
Selling expense		358,758
General and administrative expenses		1,950,386
Total operating expenses		2,309,144
Operation loss		(333,738)
Other income /(expense)		
Other income		4,333
Other expense		(9,978)
Total other expense		(5,645)
Loss before taxes		(339,383)
Income taxes		2,400
Net loss	$	(341,783)

Cream, Inc.
Consolidated Statement of Stockholders' Equity
As of and for the year ended December 31, 2018

	Number of Shares	Share Capital	Retained Earnings	Total
Balance at January 1, 2018	100,000	$ 5,000	$ 1,151,967	$ 1,156,967
Net loss	-	-	(341,783)	(341,783)
Balance at December 31, 2018	100,000	$ 5,000	$ 810,184	$ 815,184

Cream, Inc.
Consolidated Statement of Cash Flows
For the year ended December 31, 2018

Cash Flows from Operating Activities		
Net loss	$	(341,783)
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization		75,889
Bad debt provision		65,922
Changes in operating assets and liabilities:		
Accounts receivable		(50,763)
Other receivables		1,399
Prepaid expenses		(888)
Related party receivable		(100,623)
Accounts payable		10,622
Accrued liabilities		(9,395)
Deferred tax liabilities		16,310
Unearned revenue		26,517
Net cash used in operating activities		(306,793)
Cash Flow from Investing Activities		
Purchase of property, plant and equipment		(11,194)
Net cash used in investing activities		(11,194)
Net change of cash and cash equivalents		(317,987)
Balance at beginning of the year		1,132,231
Balance at end of the year	$	814,244

Supplementary cash flow information:		
Tax paid	$	2,400

1. The Company and Principal Business Activities

Organization Structure and Business Activities

Cream, Inc. ("Cream") was incorporated under the laws of the State of California on March 15, 2011. Cream's primarily business is to conduct operating and franchising ice cream parlors. Cream has developed and has the right to license trademark C.R.E.A.M. for the development and operation of ice cream sandwich shops specializing in customize ice cream, ice cream sandwiches, and related products throughout the United States of America. Cream grants franchise to use its network system and proprietary trademark C.R.E.A.M.

Business Acquisition

On February 4, 2014, Cream acquired the assets of Iced Investments, Inc. for total consideration of $382,000 paid in cash. The aggregate purchase price was allocated to the tangible and specifically identifiable intangible assets acquired based on their estimated fair values at the date of the date of the acquisition as follows:

Assets acquired:		
Property, plant, and equipment	$	77,000
Leasehold Improvements		172,000
Lease Deposit		10,000
Goodwill		123,000
Net assets acquired	$	382,000

On March 26, 2014, Cream of Palo Alto Inc. ("Cream of Palo Alto") was incorporated under the laws of the State of California. Cream of Palo Alto is a wholly-owned subsidiary of Cream. Cream of Palo Alto used the assets acquired from Iced Investments, Inc. to operate C.R.E.A.M. ice cream parlor on 440 University Ave, Palo Alto, CA 94301.

Cream of Oakland Inc. ("Cream of Oakland") was incorporated under the laws of the State of California on February 4, 2015. Cream of Oakland is a wholly-owned subsidiary of Cream.

Cream together with Cream of Palo Alto and Cream of Oakland are collectively referred to as the "Company".

2. Significant Accounting Policies

Method of Accounting

The Company maintains its general ledger and journals with the accrual method of accounting. The Company has elected to present a single consolidated statement of operations and comprehensive loss. As the Company has no other comprehensive income, the loss for the year is equal to the total comprehensive loss. The consolidated financial statements and accompanying notes are representation of management. The Company's consolidated financial statements have been prepared in accordance to generally accepted accounting principles in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of Cream, Inc. and its subsidiaries Cream of Palo Alto and Cream of Oakland. All significant inter-company transactions and balances, such as due to/due from, investment in subsidiary, and subsidiary's capitalization have been eliminated.

Use of Estimates

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

Risk

Concentration of Credit Risk

The Company's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents. The Company places its cash and temporary cash investments with creditworthy institutions. At certain times, amounts on deposit exceed Federal Deposit Insurance Corporation insurance limits. As of December 31, 2018, the Company has $620,989 cash and cash equivalents in Bank of America in excess of the FDIC $250,000 insurance limit.

Litigation Risk

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of the Company's management, the ultimate liability with respect to these proceedings and claims will not have a material adverse effect upon the Company's financial position or results of operations.

(1) In 2017, the Company entered into a franchise agreement for a Cream business located in Boca Raton, Florida. In February 2018, an owner of three businesses in the area that operates under the name Cream ("Team Cream"), contacted the Company and claimed that Team Cream had superior rights to the "Cream" name in its markets. The dispute was resolved in May 2018 upon the execution of a Settlement and Coexistence Agreement ("SCA") between Team Cream and the Company. Pursuant to SCA, the Company will use another business name for its signage to differentiate itself with Team Cream, if its store opens within 5 miles radius of Team Cream.

(2) Flexpand, LLC ("Flexpand"), a franchisee of the Company, filed a complaint against the Company on February 19, 2019. See Note #6 - Subsequent Event.

Cash and Cash Equivalents

The Company classifies the following instruments as cash and cash equivalents: cash on hand, unrestricted bank deposits, and all highly liquid investments purchased with original maturities of three months or less.

Accounts Receivable

Accounts receivable is disclosed at the net value of all outstanding invoice amounts less management's estimate for doubtful accounts. Management regularly reviews outstanding accounts and provides an allowance for doubtful accounts. When collection of the original invoice amount is no longer probable, the Company will either partially or fully write-off the balance against the allowance for doubtful accounts.

Related Party Receivable

In the normal course of business, the Company borrows loans from, and pay wages to its shareholder Mr. Jamal Shamieh, and conducts transactions, which include but not limited to the purchase of supply, sale of cream and staff training activities, with Jamal's sole proprietorship Cream of Berkeley. The Company and Cream of Berkeley share common beneficial ownership. If the Company has both receivables from, and payables to Jamal or Cream of Berkely, in accordance with FIN 39 (FASB ASC 210-20), the Company will net off the balances in order to arrive at a single balance that is either due from, or due to Jamal. As of December 31, 2018, the Company has net receivable $221,918 due from Jamal.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the assets. Major renewals are capitalized and depreciated; maintenance and repairs that do not extend the life of the respective assets are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of operations. Estimated useful lives of the property, plant and equipment are as follows:

Assets Class	***Estimated Useful Life***
Leasehold improvement	Shorter of economic life or remaining lease term
Machinary and equipment	5 years

Intangible Assets

The Company's only intangible asset is its trademark C.R.E.A.M, which is carried at its original registration cost less accumulated amortization.

Goodwill

Goodwill is not amortized but is tested for impairment, annually on December 31, at the reporting unit level. The Company assesses the estimated fair value of the reporting unit using a market-based approach. If the carrying amount of the reporting unit exceeds the fair value of the reporting unit, an impairment charge is recognized in an amount equal to the excess of the carrying amount of the reporting unit goodwill over implied fair value of that goodwill.

Accounting for Impairment or Disposal of Long-Lived Assets

The Company has adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), ASC 360-10-35. The Company evaluates its long-lived assets for impairment when indicators of impairment are present or annually, whichever occurs sooner. When there are indications of impairment, the Company will record a loss to statement of operations equal to the difference between the carrying value and the fair value of the long-lived assets. The Company typically, but not exclusively uses the expected future discounted flows method to determine fair value of long-lived assets subject to impairment. The fair value of long-lived assets that held for disposition will include the cost of disposal.

The Company's long-lived assets are grouped by their presentation on the consolidated balance sheet, and further segregated by their operating and assets type. Long-lived assets subject to impairment include the property, plan and equipment, the intangible assets and goodwill. The Company makes its determinations based on various factors that impact the carrying value of the long-lived assets.

On December 31, 2018, the Company assessed its long-lived assets and concluded that there were no long-lived assets subject to impairment loss for the year then ended.

Unearned Revenue

Gift cards in the amounts of $366,004 that have been sold but not been redeemed by customers were recorded as unearned revenue as of December 31, 2018.

Revenue Recognition

The Company's revenues mainly consist of 1) cream sales by Company-operated stores, 2) fees from franchised stores operated by franchisees, such as a) franchise royalty fees, b) brand fees and c) initial franchise fees, and 3) rebate from manufacture.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. This standard does not impact the Company's recognition of revenue from Company-operated stores as those sales are recognized on a cash basis at the time of the underlying sale and are presented net of sales tax and other sales-related taxes. The standard also does not change the recognition of royalties and brand fees from stores operated by franchisees, which are based on a percent of sales and recognized at the time the underlying sales occur.

The Company's accounting policy through December 31, 2017, was to recognize initial franchise fees when received, upon a new store opening and at the start of a new franchise term. Beginning in January 1, 2018, the new standard does not change the timing in which the Company recognizes initial fees from franchisees for new store openings and new franchise terms because the Company determines that some or all of the pre-opening service are distinct as well as the standalone selling price for each distinct good or service.

Cream sales

Cream sales are mainly conducted by Cream of Palo Alto and Cream of Oakland. On April 1, 2017, Cream Inc. entered into a subcontractor agreement with Bon Appetit Management Company ("Bon Appetit"), who provides food, beverage concessions, and catering services at AT&T Giants Stadium located in San Francisco, California. Pursuant to the agreement, Cream Inc. is granted to sell food products mainly Cream in the area designated by Bon Appetit inside of the stadium from April 1, 2018 to March 31, 2019.

Franchise royalty fee

Franchise shall pay the Company royalty fee in the amount of the greater of a monthly $2,000 or a percentage of monthly gross sales depends on each franchise agreement.

Brand fees

Franchise shall pay the Company brand fee for 2% of monthly gross sales. See Note #4 - Brand Fees.

Initial franchise fee

In consideration of granting a franchise the rights and privilege to exclusively operate under the Company's system and proprietary service mark C.R.E.A.M., the Company collects an initial franchise fee from its franchisee. The initial franchise fee is $30,000, which is due upon execution of franchise agreement. The initial franchise fee is non-refundable under any circumstances.

Manufacture rebate

Manufacture rebate is reimbursement paid by suppliers.

Income Taxes

a) Cream, Inc.

Effective March 15, 2011, Cream has elected to be treated as a pass-through entity for Federal and California income tax purposes and, as such, Cream is not subject to income taxes. Rather, all items of taxable income, deductions, and credits are passed through to and are reported by its owner on their respective income tax returns. Cream is required file and does file tax returns with the Internal Revenue Service, the State of California, and other taxing authorities, as applicable. Accordingly, these financial statements do not reflect a provision for Federal income taxes and Cream has no tax positions which must be considered for disclosure. California Franchise Tax Board imposes a minimum franchise fee and income tax at a substantially reduced rate. During the year 2018, Cream was subject to California minimum franchise fee $800.

b) Cream of Palo Alto and Cream of Oakland

Cream of Palo Alto and Cream of Oakland account for income taxes in accordance with ASC 740 (formerly SFAS 109, "Accounting for Income Taxes.") Under the asset and liability method as required by ASC 740, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under ASC 740, the effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion, or all of, a deferred tax asset will not be realized.

ASC 740 clarifies the accounting and disclosure for uncertain tax positions and prescribes a recognition threshold and measurement attribute for recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under ASC 740, evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. As of December 31, 2018, Cream of Palo Alto and Cream of Oakland recorded $7,754 and $8,556 deferred tax liabilities, and as such, no valuation allowances were recorded.

For the year ended December 31, 2018, Cream of Palo Alto and Cream of Oakland had operation losses. They were only subjected to $800 California minimum franchise fee respectively.

Subsequent Events

The Company evaluates subsequent events that have occurred after the balance sheet date but before the consolidated financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) non-recognized, or those that provide evidence with respect to conditions that did *not* exist at the date of the balance sheet but arose subsequent to that date.

Based on this evaluation, the Company concluded that subsequent to December 31, 2018 but prior to March 29, 2019, the date the consolidated financial statements were available to be issued, there was one subsequent event that would require disclosure in the consolidated financial statements. See Note #6 - Subsequent Event.

3. Property, Plant and Equipment

Category of Assets		Cost		Accumulated Depreciation		Net
Leasehold Improvement	$	378,938	$	358,317	$	20,621
Machinary and Equipment		212,065		168,513		43,552
	$	591,003	$	526,830	$	64,173

The Company recorded $73,123 depreciation expense for the year ended December 31, 2018.

4. Brand Fees

Cream collects two percent (2%) of monthly gross sales from its franchisees as brand fees. Below tabulation summarizes the brand fees received from franchisees in different cities.

Stores / Cities		Amount
Alameda	$	5,164
Arden		7,139
Aventura		4,688
Berkeley		17,233
Boca Raton		3,465
Chico		6,013
Concord		9,803
Cupertino		5,078
Davis		7,397
Denver		6,114
Fremont		6,007
Fresno		4,031
Henderson		3,200
Irvine		755
Livermore		7,321
Napa		2,720
North Hollywood		6,165
Northridge		4,700
Ontario		3,861
Pembroke Pines		9,243
San Francisco		9,817
San Jose		9,396
San Mateo		8,390
San Diego		4,204
Stonestown		8,719
Summerlin		7,501
USC		1,929
Walnut Creek		9,465
Weston		6,344
Total	$	185,862

5. Operating Lease Obligations

The Company leases 3 premises from Rama Investment Group LLC, Property Development Centers LLC, and Ronnoco Properties (the "Landlords") for Cream, Cream of Oakland, and Cream of Palo Alto respectively. Rama Investment Group LLC was 100% owned by Jamal and his family. The Company is also required to reimburse the Landlords common area maintenance costs("CAM") based on the percentage of occupancy rate. Total rent expenses and CAM were $263,249 for the year ended December 31, 2018.

Future minimum payments under operating leases are as follows:

Year Ended December 31,		
2019	$	200,851
2020		202,907
2021		205,024
2022		175,464
2023		132,319
Total	$	916,565

6. Subsequent Event

In January 2015, Flexpand entered into an area representative agreement with the Company under which Flexpand would develop new franchises in the Cream franchise system in Florida. On February 19, 2019, Flexpand filed a complaint that alleged four claims against the Company: 1) fraud, 2) breach of the area representative agreement, 3) breach of the implied covenant of good faith and fair dealing, and 4) unjust enrichment. The complaint also alleged a single fraud claim against officer Jamal.

On March 13, 2019, the Company filed a motion to dismiss the complaint pursuant to F.R.Civ.P. 12(b)(6) on the groud that the complaint did not state a cause of action against the Company. On March 27, 2019, Flexpand filed an opposition to the Company's motion to dismiss. The Company's motion to dismiss was set for hearing on May 8, 2019. There have been no rulings by the Court in the case. The Company has not yet denied the allegations in the complaint. If the Company's motion to dismiss is denied, in the whole or part, the Company will deny all remaining claims in the complaint and vigorously defend the claims alleged against the Company and Jamal.

Cream, Inc.

Consolidated Financial Statements

December 31, 2017

Cream, Inc.

Consolidated Financial Statements

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UltrCPA LLP

Independent Auditor's Report

To the Board of Directors of
Cream, Inc.:

We have audited the accompanying consolidated financial statements of Cream, Inc. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conduct 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cream, Inc. and its subsidiaries as of December 31, 2017, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

UltraCPA LLP

Millbrae, California
March 29, 2018

UltraCPA LLP

Cream, Inc.
Consolidated Balance Sheet
As of December 31, 2017

Assets		
Current assets		
Cash and cash equivalents	$	1,132,231
Accounts receivable		98,597
Other receivable		19,759
Related party receivable		121,295
Prepaid expenses		16,332
Total current assets		1,388,214
Non-current assets		
Property, plant and equipment, net		126,102
Intangible assets, net		19,821
Goodwill		123,000
Deposits		17,163
Total non-current assets		286,086
Total Assets	$	1,674,300
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities		
Accounts payable	$	114,090
Accrued liabilities		63,756
Unearned revenue		339,487
Total current liabilities		517,333
Total Liabilities	$	517,333
Stockholders' Equity		
Share capital	$	5,000
Retained earnings		1,151,967
Total stockholders' equity		1,156,967
Total Liabilities and Stockholders' Equity	$	1,674,300

Cream, Inc.
Consolidated Statement of Operations and Comprehensive Loss
For the year ended December 31, 2017

Revenue		
Initial franchise fees	$	417,500
Franchise royalty fees		396,884
Manufacture rebate		272,388
Brand fees		234,638
Cream sales		1,483,656
Total revenue		2,805,066
Cost of revenue		
Cost of cream		306,614
Gross profit		2,498,452
Operating expenses		
Selling expense		521,729
General and administrative expenses		1,726,576
Total operating expenses		2,248,305
Operation income		250,147
Other income /(expense)		
Other income		28,915
Other expense		(33,755)
Total other expense		(4,840)
Income before taxes		245,307
Income taxes		27,993
Net income	$	217,314

Cream, Inc.
Consolidated Statement of Stockholders' Equity
As of and for the year ended December 31, 2017

	Number of Shares	Share Capital	Retained Earnings	Total
Balance at January 1, 2017	100,000	$ 5,000	$ 934,653	$ 939,653
Net income	-	-	217,314	217,314
Balance at December 31, 2017	100,000	$ 5,000	$ 1,151,967	$ 1,156,967

Cream, Inc.
Consolidated Statement of Cash Flows
For the year ended December 31, 2017

Cash Flows from Operating Activities		
Net income	$	217,314
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization		110,055
Changes in operating assets and liabilities:		
Accounts receivable		(38,702)
Other receivable		(19,759)
Prepaid expense		(3,921)
Related party receivable		65,568
Deposits		1,650
Accounts payable		31,878
Accrued liabilities		22,948
Unearned revenue		(12,159)
Net cash provided by operating activities		374,872
Cash Flow from Investing Activities		
Purchase of property, plant and equipment		(7,564)
Net cash used in investing activities		(7,564)
Net change of cash and cash equivalents		367,308
Balance at beginning of the year		764,923
Balance at end of the year	$	1,132,231

Supplementary cash flow information:

Tax paid	$	2,400

1. The Company and Principal Business Activities

A. Organization Structure and Business Activities

Cream, Inc. ("Cream") was incorporated under the laws of the State of California on March 15, 2011. Cream's primarily business is to conduct operating and franchising ice cream parlors. Cream has developed and has the right to license trademark C.R.E.A.M. for the development and operation of ice cream sandwich shops specializing in customize ice cream, ice cream sandwiches, and related products throughout the United States of America. Cream grants franchise to use its network system and proprietary trademark C.R.E.A.M.

B. Business Acquisition

On February 4, 2014, Cream acquired the assets of Iced Investments, Inc. for total consideration of $382,000 paid in cash. The aggregate purchase price was allocated to the tangible and specifically identifiable intangible assets acquired based on their estimated fair values at the date of the date of the acquisition as follows:

Assets acquired:

Property, plant, and equipment	$	77,000
Leasehold Improvements		172,000
Lease Deposit		10,000
Goodwill		123,000
Net assets acquired	$	382,000

On March 26, 2014, Cream of Palo Alto Inc. ("Cream of Palo Alto") was incorporated under the laws of the State of California. Cream of Palo Alto is a wholly-owned subsidiary of Cream. Cream of Palo Alto used the assets acquired from Iced Investments, Inc. to operate C.R.E.A.M. ice cream parlor on 440 University Ave, Palo Alto, CA 94301.

Cream of Oakland Inc. ("Cream of Oakland") was incorporated under the laws of the State of California on February 4, 2015. Cream of Oakland is a wholly-owned subsidiary of Cream.

Cream together with Cream of Palo Alto and Cream of Oakland are collectively referred to as the "Company".

2. Significant Accounting Policies

A. Method of Accounting

The Company maintains its general ledger and journals with the accrual method of accounting. The Company has elected to present a single consolidated statement of operations and comprehensive loss. As the Company has no other comprehensive income, the loss for the year is equal to the total comprehensive loss. The financial statements and accompanying notes are representation of management. The Company's financial statements have been prepared in accordance to generally accepted accounting principles in the United States of America.

B. Principles of Consolidation

The consolidated financial statements include the accounts of Cream, Inc. and its subsidiaries Cream of Palo Alto and Cream of Oakland. All significant inter-company transactions and balances, such as due to/due from, investment in subsidiary, and subsidiary's capitalization have been eliminated.

C. Use of Estimates

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

D. Cash and Cash Equivalents

The Company classifies the following instruments as cash and cash equivalents: cash on hand, unrestricted bank deposits, and all highly liquid investments purchased with original maturities of three months or less.

E. Accounts Receivable

Accounts receivable is disclosed at the net value of all outstanding invoice amounts less management's estimate for doubtful accounts. Management regularly reviews outstanding accounts and provides an allowance for doubtful accounts. When collection of the original invoice amount is no longer probable, the Company will either partially or fully write-off the balance against the allowance for doubtful accounts.

F. Related Party Receivable

In the normal course of business, the Company borrows loans from, and pay wages to its shareholder Mr. Jamal Shamieh, and conducts transactions, which include but not limited to the purchase of supply, sale of cream and staff training activities, with Jamal's sole proprietorship Cream of Berkeley. The Company and Cream of Berkeley share common beneficial ownership. If the Company has both receivables from, and payables to Jamal or Cream of Berkely, in accordance with FIN 39 (FASB ASC 210-20), the Company will set off the balances in order to arrive at a single balance that is either due from, or due to Jamal. As of December 31, 2017, the Company has net receivable $121,295 due from Jamal.

G. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the assets. Major renewals are capitalized and depreciated; maintenance and repairs that do not extend the life of the respective assets are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of operations. Estimated useful lives of the property, plant and equipment are as follows:

Assets Class	*Estimated Useful Life*
Leasehold improvement	Shorter of economic life or remaining lease term
Machinary and equipment	5 years

H. Intangible Assets

The Company's only intangible asset is its trademark C.R.E.A.M, which is carried at its original registration cost less accumulated amortization.

I. Goodwill

Goodwill are not amortized but are tested for impairment, annually on December 31, at the reporting unit level. The Company assesses the estimated fair value of the reporting unit using a market-based approach. If the carrying amount of the reporting unit exceeds the fair value of the reporting unit, an impairment charge is recognized in an amount equal to the excess of the carrying amount of the reporting unit goodwill over implied fair value of that goodwill.

J. Accounting for Impairment or Disposal of Long-Lived Assets

The Company has adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), ASC 360-10-35. The Company evaluates its long-lived assets for impairment when indicators of impairment are present or annually, whichever occurs sooner. When there are indications of impairment, the Company will record a loss to statement of operations equal to the difference between the carrying value and the fair value of the long-lived assets. The Company typically, but not exclusively uses the expected future discounted flows method to determine fair value of long-lived assets subject to impairment. The fair value of long-lived assets that held for disposition will include the cost of disposal.

The Company's long-lived assets are grouped by their presentation on the balance sheet, and further segregated by their operating and assets type. Long-lived assets subject to impairment include the property, plan and equipment, the intangible assets and goodwill. The Company makes its determinations based on various factors that impact the carrying value of the long-lived assets.

At December 31, 2017, the Company assessed its long-lived assets and identified that the use of long-lived assets for its ongoing business provided sufficient cash flows. Therefore, the Company concluded that there were no long-lived assets subject to impairment loss for the year then ended.

K. Unearned Revenue

Gift cards in the amounts of $339,487 that have been sold but not been redeemed by customers was recorded as unearned revenue as of December 31, 2017.

L. Revenue Recognition

The Company's revenue recognition policies are in compliance with ASC 605 (previously Staff Accounting Bulletin 104). Revenue is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the seller's price to the buyer is fixed or determinable; and (4) collectability is reasonably assured. Revenue includes gross sales price, net of sales incentives and estimated discounts, for which provisions are made at the time of sale. Allowance are made for uncollectible accounts.

The Company's revenue mainly consists of: a) initial franchise fees, b) franchise royalty fees, c) manufacture rebate, d) brand fees, and e) Cream sales.

a) Initial franchise fee

In consideration of granting a franchise the rights and privilege to exclusively operate under the Company's system and proprietary service mark C.R.E.A.M., the Company collects an initial franchise fee from its franchisee. The initial franchise fee is $30,000, which is due upon execution of franchise agreement. The initial franchise fee is non-refundable unless franchisee could not satisfactorily complete the Company's franchise training program. The Company will then refund its franchisee $20,000 initial franchise fee.

b) Franchise royalty fee

Franchise shall pay the Company royalty fee in the amount of the greater of a monthly $2,000 or six percent (6%) of monthly gross sales.

c) Manufacture rebate

Manufacture rebate is reimbursement paid by suppliers.

d) Brand fees

Franchise shall pay the Company brand fee for 2% of monthly gross sales. See Note #4 - Brand Fees.

e) Cream sales

Cream sales are mainly conducted by Cream of Palo Alto and Cream of Oakland. On April 1, 2017, Cream Inc. entered into a subcontractor agreement with Volume Services, Inc., d/b/a Centerplate, who provides food, beverage concessions, and catering services at AT&T Giants Stadium located in San Francisco, California. Pursuant to the agreement, Cream Inc. is granted to sell food products mainly cream in the area designated by Centerplate inside of the stadium.

M. Income Taxes

a) Cream, Inc.

Effective March 15, 2011, Cream has elected to be treated as a pass-through entity for Federal and California income tax purposes and, as such, Cream is not subject to income taxes. Rather, all items of taxable income, deductions, and credits are passed through to and are reported by its owner on their respective income tax returns. Cream is required file and does file tax returns with the Internal Revenue Service, the State of California, and other taxing authorities, as applicable. Accordingly, these financial statements do not reflect a provision for Federal income taxes and Cream has no tax positions which must be considered for disclosure. California Franchise Tax Board imposes a minimum franchise fee and income tax at a substantially reduced rate. During the year 2017, Cream was subject to $2,101 California income tax.

b) Cream of Palo Alto and Cream of Oakland.

Cream of Palo Alto and Cream of Oakland account for income taxes in accordance with ASC 740 (formerly SFAS 109, "Accounting for Income Taxes.") Under the asset and liability method as required by ASC 740, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under ASC 740, the effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion, or all of, a deferred tax asset will not be realized.

ASC 740 clarifies the accounting and disclosure for uncertain tax positions and prescribes a recognition threshold and measurement attribute for recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under ASC 740, evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. As of December 31, 2017, Cream of Palo Alto and Cream of Oakland did not have any deferred tax assets or liabilities, and as such, no valuation allowances were recorded.

For the year ended December 31, 2017, Cream of Palo Alto and Cream of Oakland were profitable. Income taxes in the amounts of $8,687 and $5,119 were provided by Cream of Palo Alto for Federal and CA State respectively. Simultaneoulsy, Cream of Oakland recorded $7,101 Federal and $4,185 CA State income taxes.

N. Subsequent Events

The Company evaluates subsequent events that have occurred after the balance sheet date but before the financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) non-recognized, or those that provide evidence with respect to conditions that did *not* exist at the date of the balance sheet but arose subsequent to that date.

Based on this evaluation, the Company concluded that subsequent to December 31, 2017 but prior to March 29, 2018, the date the consolidated financial statements were available to be issued, there was one subsequent event that would require disclosure in the consolidated financial statements. See Note #5 – Subsequent Event.

3. Property, Plant and Equipment

Category of Assets	**Cost**	**Accumulated Depreciation**	**Net**
Leasehold Improvement	$ 367,744	$ 327,607	$ 40,137
Machinary and Equipment	212,065	126,100	85,965
	$ 579,809	$ 453,707	$ 126,102

The Company recorded $111,470 depreciation expense for the year ended December 31, 2017.

4. Brand Fees

Cream collects two percent (2%) of monthly gross sales from its franchisees as brand fees. Below tabulation summarizes the brand fees received from franchisees in different cities.

Stores / Cities	**Amount**
Alameda	$ 6,303
Aliso Viejo	4,841
Aventura	6,764
Berkeley	19,466
Chico	4,630
Concord	10,557
Cupertino	6,514
Davis	9,128
Elk Grove	424
Fremont	7,421
Fresno	3,989
Henderson	4,382
Irvine	7,508

Livermore		3,710
North Hollywood		7,276
Northridge		6,421
Ontario		5,491
Pembroke Pines		843
Sacramento		12,500
San Francisco		11,306
San Jose		14,359
San Mateo		10,547
San Diego		1,739
Stonestown		8,224
Summerlin		12,666
USC		7,096
Vacaville		12,500
Walnut Creek		10,678
Weston		17,355
Total	$	234,638

5. Subsequent Event

On June 20, 2017, the Company entered into a franchise agreement for a Cream Business to be located in Boca Raton, Florida. An owner of two businesses in the area that operates under the name Cream, including in Boca Raton, contacted the Company's area representative for the state of Florida in or about February 2018, and has indicated that he believes he has superior rights to the Cream name in his markets. The Company is trying to resolve the dispute over the Cream name with this business owner. The owner, through his lawyer, has stated that he intends to file a lawsuit to prevent the Company and its franchisee from opening under the Cream name in the event the parties are unable to resolve the dispute amicably.

Cream, Inc.

Consolidated Financial Statements

December 31, 2016

Cream, Inc.

Consolidated Financial Statements

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EXHIBIT B

FRANCHISE AGREEMENT

CREAM, INC.
FRANCHISE AGREEMENT

DATA SHEET

Franchisee:	____
Guarantors:	____
Effective Date:	____
Premises:	____
	____
Territory:	____
Telephone Number:	____
Facsimile Number:	____
Initial Franchise Fee:	____

The terms of this Data Sheet are incorporated into the attached Franchise Agreement.

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CREAM FRANCHISE AGREEMENT

THIS AGREEMENT (the “Agreement” or “Franchise Agreement”) is entered into and made effective this ____ day of ___________, _____, by and between CREAM, Inc., a California corporation, with its principal business address at 1799 El Camino Real, Millbrae, CA 94030 (“Franchisor”) and Franchisee identified in the attached Data Sheet (“Franchisee”).

RECITALS

A. As the result of the expenditure of time, effort and money in research and development, Franchisor has developed and has the right to license a method and system (“CREAM System” or “System”) for the development and operation of a custom frozen dessert, cookie, and ice cream sandwich shop comprised of distinctive business formats, systems, methods, procedures, designs, layouts and specifications (“CREAM Business” or “Franchised Business”). Franchisor is in the process of developing a network (“CREAM Network” or “Network”) of franchises to use the System on a mutually cooperative and interrelated basis.

B. Franchisor grants franchises to be operated under its System and proprietary service mark “CREAM” and its associated distinctive logo as depicted on the cover page above (“Marks”). Franchisor continues to develop, use and control the Marks so that consumer recognition thereof will continue, and Franchisee agrees to represent the System’s high standards of service, quality and appearance.

C. Franchisee acknowledges reading this Agreement and Franchisor’s Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonable and necessary to maintain Franchisor’s high standards of service, quality and appearance, as well as the consistency of these standards by all franchises within the Network, in order to protect and preserve the goodwill of the Marks. Franchisee therefore agrees to operate the Business as an integral part of Franchisor’s Network and System as they may be changed, approved and developed from time to time, and in this operation adhere to the uniform standards, procedures and policies set forth below.

D. Franchisee desires to establish a Business under the System, within the territory hereinafter set forth, and to use in connection therewith the Marks and System, and provide the custom frozen dessert, cookie, and ice cream sandwich products and services authorized for the Business, as an integral part of Franchisor’s Network, and to derive the benefits of Franchisor’s reputation, advice, experience, guidance and know-how.

E. Franchisor grants to franchisees, for considerations, the right to conduct a business utilizing the System, as part of the Network, offering custom frozen dessert, cookie, and ice cream sandwich products, services and related supplies approved by Franchisor, and utilizing its formats, methods, specifications, standards, operating procedures, guidance and Marks.

ARTICLE 1. GRANT OF FRANCHISE

1.1 **Grant of Franchise.**

(a) Rights Granted. Subject to and upon all of the terms and conditions set forth in this Agreement, Franchisor grants to Franchisee the right and license, and Franchisee undertakes the obligation to establish and operate a CREAM Business under the System and the Marks as Franchisor directs, and to use the Marks in connection with the various custom frozen dessert, cookie, and ice cream sandwich products, services and related supplies utilized in the operation of the Business from a single location ("Premises") identified in the attached Data Sheet. Except as otherwise provided for in this Agreement, the foregoing grant to Franchisee does not include: (i) any right to offer any product or service via e-commerce; (ii) any right to establish an independent website or to establish a URL incorporating the Marks or any variation thereof; (iii) any right to sell products or services at wholesale prices from the Business; or (iv) any right to distribute, market, or implement Franchisor's products and services in any channel of distribution not specifically identified in this Agreement. Franchisee may not, without Franchisor's written consent, offer or sell any products or services through delivery services, online orders, or via catering orders or requests.

(b) Reservation of Rights. Franchisee expressly understands and agrees that Franchisor and Franchisor's affiliates shall have the right, in Franchisor's sole discretion, to: (i) own and operate Businesses at any location(s) outside Franchisee's Territory (as defined in Section 1.02) under the same or different marks, or to license others the right to own and operate Businesses at any location(s) outside Franchisee's Territory under the same or different marks; (ii) use the Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, without regard to location; (iii) own and operate Businesses or other businesses, or market similar products and services, at any location(s) inside Franchisee's Territory under different marks, or to license others the right to own and operate Businesses or businesses, or market products and services at any location(s) inside Franchisee's Territory under different marks; (iv) exclusively operate and license others the right to own and operate Businesses under the Marks and System in non-traditional sites including, but not limited to, sports and entertainment stadiums, arenas, entertainment complexes, malls and other shopping outlets, and airports, without regard to location; and (v) engage and license others to engage in any other activities not expressly prohibited in this Agreement.

1.2 **Territory.**

Except as otherwise provided in this Agreement, for so long as Franchisee complies with the terms and conditions of the this Agreement, Franchisor will not, while this Agreement is in effect, operate, nor will it grant others a license to operate a Business under its System at any retail location within the specific area ("Territory") as set forth in the attached Data Sheet.

1.3 **Other Channels of Distribution.**

Franchisee expressly acknowledges and agrees that certain of Franchisor's or its affiliate's products or services, whether now existing or developed in the future, may be distributed in Franchisee's Territory by Franchisor, Franchisor's affiliates, or Franchisor's franchisees, licensees or designees. Such alternate channels of distribution shall include, but are not limited to, sales of any products offered hereunder under the Marks at or through the internet, retail stores, supermarkets, or through catering or delivery services. Franchisee understands that this Agreement grants Franchisee no rights: (i) to distribute such products as described in this Section 1.03; or (ii) to share in any of the proceeds received by any such party therefrom.

ARTICLE 2. TERM AND RENEWAL

2.1 Term.

This Agreement and the appointment of Franchisee hereunder shall commence on the date this Agreement is executed and, unless previously terminated as herein provided, shall expire on the tenth anniversary of the date on which this Agreement was executed.

2.2 Renewal Options.

The term of this Agreement and the appointment hereunder may be extended for two additional five-year terms, exercisable by written notice from Franchisee to Franchisor, within 180 days prior to the expiration of the initial term (or renewal term); provided that at the end of the initial term (or renewal term):

(1) Franchisee is not at the time of the exercise or at the commencement of the extension term, in default of the performance of any of Franchisee's obligations hereunder;

(2) All monetary obligations owed by Franchisee to Franchisor, Franchisor's affiliates, and Franchisor's designated suppliers and vendors have been fully satisfied prior to the commencement of the extension term;

(3) Franchisee shall execute Franchisor's then-current form of Franchise Agreement which shall waive any initial franchise fee but may contain materially different terms;

(4) Franchisee has demonstrated to Franchisor's satisfaction that Franchisee has the right to operate the Franchised Business at the Premises for the duration of the renewal term; or, if Franchisee is unable to operate the Franchised Business at the Premises, Franchisee has secured a substitute location;

(5) Franchisee agrees in writing to remodel, refurbish and renovate the Premises, including without limitation, the interior and exterior design, furniture, fixtures and equipment (including point-of-sale hardware and related software and décor) so that the Business reflects Franchisor's then-current standards;

(6) Franchisee satisfies Franchisor's then-current training requirements for renewing franchisees, if any, at Franchisee's expense, as of the date of such renewal;

(7) Except to the extent limited by applicable law, Franchisee executes a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, and its officers, directors, agents and employees, arising out of or relating to this Agreement; and

(8) Franchisee pays to Franchisor a renewal fee in the amount of $3,000.

ARTICLE 3. FEES

3.1 Initial Franchise Fee.

In consideration of the grant of franchise, and of the rights and privileges relating thereto, herein above made, Franchisee shall pay to Franchisor a franchise fee payable upon the signing of this Agreement in the amount of Thirty Thousand Dollars ($30,000). This fee shall be paid solely for the grant of franchise rights and privileges, shall be fully earned upon execution of this Agreement, and shall be in addition to all other fees, royalties, costs and other expenditures of any kind required of Franchisee under the terms hereof, or any sums otherwise becoming due from Franchisee for any reason. The franchise fee, except as provided in subparagraph (c) below, is not refundable under any circumstances.

3.2 Royalties.

(a) Amount and Payment Schedule. In further consideration of the grant of franchise and related rights and privileges hereunder, and in consideration of the services to be rendered by Franchisor to Franchisee in support of Franchisee's operations as below provided, Franchisee shall pay to Franchisor a monthly royalty, equal to the greater of $2,000 or six percent (6%) of Gross Sales of the CREAM Business (as defined in subparagraph (b) below), via electronic funds transfer as noted in Section 3.04 on or before the 15th day of each calendar month for the preceding calendar month's Gross Sales (as defined in Section 3.05), provided, however, Franchisee's obligations to make royalty payments shall not begin until the eighth month following execution of this Agreement or the date of opening of the CREAM business, whichever occurs first (i.e., the first royalty payment shall be due on the 15th day of such eighth month with regard to royalties due for the previous month). If payment is not received by 15th day of each month, it will be deemed overdue and subject to the late charge specified in Section 3.06(a) below.

(b) Gross Sales Defined. As used herein the term "Gross Sales" includes the aggregate amount of all charges for custom frozen dessert, cookie, and ice cream sandwich products, services and supplies (defined in accordance with the accounting practices and procedures as specified by Franchisor), and all other receipts of any kind of Franchisee derived directly or indirectly from the operation of the Business, but excluding the amount of all sales, use, gross receipts and other taxes specifically added to sales prices and collected from customers.

3.3 CREAM Brand Fund Contribution.

Franchisee shall make monthly contributions of two percent (2%) of Gross Sales ("CREAM Brand Fund Contribution") payable together with and in the same manner as the royalty payments referred to in Section 3.02, to a collective fund, as described more fully in Section 11.05 of this Agreement.

3.4 Gross Sales Reports.

Franchisee must send Franchisor monthly a signed Gross Sales report ("Gross Sales Report") on or before each Wednesday for the preceding month's Gross Sales. The Gross Sales Reports must set forth Franchisee's monthly Gross Sales generated during the previous month, Franchisee's calculation of the Royalty fee, and any other information Franchisor may require. Franchisor may change the form and content of the Gross Sales Reports from time to time.

3.5 Manner of Payment.

Payment of royalties shall be made on a monthly basis, no later than the 15th day of each calendar month for the Gross Sales of the calendar month immediately prior to the payment. Royalties shall be by an electronic funds transfer program (the "EFT Program") under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor, from Franchisee's bank account. Franchisee shall deposit all revenues from operation of Franchisee's Business into Franchisee's bank account within two (2) days of receipt, including all cash, checks, and credit card receipts. Before opening Franchisee's Business, Franchisee shall provide Franchisor with Franchisee's bank name, address and account number, a voided check from such bank account, and shall sign and give to Franchisor and Franchisee's bank, all documents, including Exhibit 6 to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer ("EFT"). Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to require Franchisee to pay any fees due under this Agreement by such other means as Franchisor may specify from time to time. If any Gross Sales Report has not been received within the time period required by this Agreement, then Franchisor may process an EFT for the subject month based on the most recent Gross Sales Report provided by Franchisee to Franchisor, provided, that if a Gross Sales Report for the subject month is subsequently received and reflects: (i) that the actual amount of the fee due was more than the amount of the EFT, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations.

3.6 Late Payments.

(a) Late Payment Amount. Any payment not actually received by Franchisor as required by this Agreement shall be deemed overdue. If any payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, a late charge of one hundred dollars ($100) per occurrence ("Late Charge") plus interest on the overdue amount until paid at the rate of the lesser of eighteen percent (18%) per annum or the maximum rate permitted by law ("Interest Rate"). This total is due upon receipt of the past due invoice and shall be deposited directly to Franchisor's bank account, as specified by Franchisor.

(b) Insufficient Funds. As part of Franchisee's participation in the EFT Program, if the funds in Franchisee's bank account are insufficient to cover any amounts due under this Agreement on the date such funds are due, in addition to the overdue amount, Franchisor has the right to immediately debit from Franchisee's bank account interest on such amount from the date it was due until all past due amounts are paid, at the Interest Rate, plus the Late Charge per occurrence. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee agrees that Franchisee shall be responsible for that payment and any service charge.

(c) No Waiver. Franchisee acknowledges that this Section 3.06 shall not constitute an agreement by Franchisor to accept any payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's Business. Further, Franchisee acknowledges that failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 13.03(a), notwithstanding the provisions of this Section.

3.7 Taxes on Payments.

In the event any taxing authority, wherever located, imposes any future tax, levy or assessment on any payment Franchisee makes to Franchisor, Franchisee must, in addition to all payments due to Franchisor, pay such tax, levy or assessment.

3.8 Non-Compliance Fee.

If Franchisee fails to obtain the point-of-sale system Franchisor requires Franchisee to obtain and Franchisee does not remedy such default within thirty (30) days notification from Franchisor, Franchisor may charge Franchisee a non-compliance fee equal to $50 per day for every day that Franchisee fails to utilize the correct point-of-sale system.

3.9 Technology Fee.

Franchisee is required to pay all third-party fees associated with required computer software and other required technology associated with the operation of the Franchised Business. Furthermore, Franchisor reserves the right to charge Franchisee an on-going technology fee to pay for certain aspects of Franchisee's computer system and/or software, which may include, without limitation, fees associated with website development or social media ("Technology Fee"). Franchisor reserves the right to designate and/or change the amount, scope, or manner of payment of the Technology Fee, including the party to whom payment is made, at any time upon providing reasonable notice to Franchisee. If Franchisor institutes a Technology Fee, Franchisee must pay the Technology Fee as directed by Franchisor.

3.10 Suspension of Services.

If Franchisee fails to make any payments to Franchisor as required under this Agreement then, in addition to the assessment of late charges and interest as set forth herein, Franchisor shall have the right to suspend, during such period of delinquency, any or all benefits and services afforded to Franchisee as a CREAM Franchisee. Suspension of these or any other benefits and services shall not be an exclusive remedy and shall not in any way affect Franchisor's rights to receive or collect all outstanding royalties and other amounts owed by Franchisee or to terminate this Agreement because of Franchisee's failure to make payments required under this Agreement.

ARTICLE 4. CONFIDENTIAL INFORMATION.

4.1 Non-Disclosure.

During the term of this Agreement, Franchisee will receive information which Franchisor considers its trade secrets and confidential information, including but not limited to any proprietary recipes (if applicable), standards and specifications for food preparation, standards and specifications for the build out of a Business, information about proprietary merchandise, any proprietary software Franchisor may now or in the future create, and the operations manual ("Confidential Information"). Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information including, without limitation, trade secrets; price marketing mixes related to the sale of food and beverage items and any other goods or services offered or authorized for sale by System franchisees; Franchisor's copyrighted materials; and methods and other techniques and know-how concerning the of operation of the Business which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation of the Business. Franchisee may divulge such Confidential Information only to such of Franchisee's employees as must have access to it in order to operate Franchisee's Business. Franchisee also acknowledges and agrees that certain information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers (subsections (i)-(iv) collectively "Customer Lists"), and (v) sources of suppliers, also constitute the trade secrets and confidential and proprietary information of Franchisor. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will be deemed Confidential Information for purposes of this Agreement.

4.2 Employees.

At Franchisor's request, Franchisee must require Franchisee's key employees and any personnel having access to any of Franchisor's Confidential Information to enter into the Confidentiality and Restrictive Covenant Agreement attached as Exhibit 5 to this Agreement.

4.3 New Concepts.

If Franchisee, Franchisee's employees, or Franchisee's principals develop any new concept, process or improvement in the operation or promotion of the Business, Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such concept, process or improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related thereto. Franchisee and Franchisee's principals hereby assign to Franchisor any rights Franchisee may have or acquire therein, including the right to modify such concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee's principals agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries, and further agree to execute and provide Franchisor with all necessary documentations for obtaining and enforcing such rights. Franchisee and Franchisee's principals hereby irrevocably designate and appoint Franchisor as Franchisee's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that the foregoing provisions of this Section 4.03 are found to be invalid or otherwise unenforceable, Franchisee and Franchisee's principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

ARTICLE 5. PROPRIETARY MARKS

5.1 Use of Marks.

Franchisee acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the operation of a Business pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by Franchisor in the Manual (as herein defined), from time to time during the term of this Agreement. Specifically and without limiting the foregoing, Franchisee agrees:

(1) Franchisee shall use only the Marks authorized by Franchisor in the Manual (as herein defined), and shall use the Marks only in the manner authorized and permitted by Franchisor.

(2) Franchisee shall use the Marks only in connection with the operation of the custom frozen dessert, cookie, and ice cream sandwich CREAM Business licensed hereunder and only within the Territory referred to in Section 1.01 of this Agreement.

(3) This Agreement does not confer any goodwill or interests in the Marks upon Franchisee. Franchisor owns all right, title, and interest in and to the Marks and the and any and all goodwill arising from Franchisee's use of the Marks under the System shall inure solely and exclusively to the benefit of Franchisor, and upon expiration or termination of this Agreement and the license herein granted, except as expressly provided herein, no monetary amount shall be assigned to any goodwill associated with Franchisee's use of the System or Marks.

(4) The Marks are valid and serve to identify Franchisor, the System and those licensed under the System. Franchisee agrees not to directly or indirectly contest the validity or ownership of the Marks. Throughout the term of this Agreement, including any extensions thereof, Franchisee shall identify himself or herself as a franchisee of Franchisor in conjunction with any use of the Marks, displaying the Marks in connection with the operation of the Business as Franchisor may specify from time to time.

(5) Franchisee agrees not to use any Mark licensed under this Agreement in connection with the sale of any unauthorized product or service or in any other manner not expressly approved in writing by Franchisor.

(6) If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor or Franchisee to modify or discontinue use of any Mark or use one or more additional or substitute Marks or commercial symbols, Franchisee shall discontinue using all Marks which Franchisor has notified Franchisee, in writing, have been modified or discontinued within ten (10) days of receiving written notice and, at Franchisee's sole cost and expense, shall promptly begin using such additional, modified or substituted Marks.

(7) Franchisee may not use the Marks as part of Franchisee's corporate or other legal name. Franchisee's corporate name and all d/b/a names or fictitious names under which Franchisee proposes to do business must be approved by Franchisor in writing before use. Franchisee must promptly register at the office of the county in which Franchisee's Business is located, or such other public office as provided for by the laws of the state in which Franchisee's Business is located, as doing business under such assumed business name.

(8) Franchisee must promptly notify Franchisor of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to Franchisor's ownership of, Franchisor's right to use and to license others to use, or Franchisee's right to use, the Marks. Franchisee acknowledges that Franchisor has the sole right, though not the obligation to direct and control any administrative proceeding or litigation involving the Marks, including any settlement thereof. Franchisor also has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Franchisor has the right, though not the obligation, to defend Franchisee against any third- party claim, suit, or demand arising out of Franchisee's use of the Marks. In such circumstances, if Franchisor, in Franchisor's sole discretion, determines that Franchisee has used the Marks in accordance with this Agreement, Franchisor shall bear the cost of such defense, including the cost of any judgment or settlement. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has not used the Marks in accordance with this Agreement, Franchisee shall bear the cost of such defense, including the cost of any judgment or settlement. In the event of any litigation relating to Franchisee's use of the Marks, Franchisee shall execute any and all documents and do such acts as may, in Franchisor's opinion, be necessary to carry out such defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Marks in a manner not in accordance with this Agreement, Franchisor agrees to reimburse Franchisee for Franchisee's out-of- pocket costs in performing such acts.

(9) Franchisee shall use the Marks only in connection with the Business and only at the Premises and in advertising for the Business.

(10) Franchisee shall use all Marks without prefix or suffix and in conjunction with the symbols "™", SM", "S" or "®", as applicable. Franchisee may not use the Marks in connection with the offer or sale of any products or services which Franchisor has not authorized for use in connection with the System.

(11) Franchisee must identify itself as the owner of the Business (in the manner Franchisor prescribes) in conjunction with any use of the Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations at the Business premises as Franchisor may designate in writing. In all public records, in

relationships with other persons, and on letterhead and business forms, Franchisee shall indicate Franchisee's independent ownership of the Franchised Business and that Franchisee is solely an independent franchisee of Franchisor.

(12) Franchisee must prominently display the Marks on or in connection with any media advertising, promotional materials, posters, displays, receipts, stationery and forms that Franchisor designates and in the manner that Franchisor prescribes.

(13) Franchisee's right to use the Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights.

(14) Franchisee shall not use the Marks to incur any obligation or indebtedness on Franchisor's behalf.

(15) Franchisee shall execute all documents Franchisor deems necessary to obtain protection for the Marks or to maintain their continued validity and enforceability.

(16) Franchisor owns all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them, and Franchisor has the right to use, and license others to use, the Marks;

(17) The Marks are valid and serve to identify the System and those who are authorized to operate under the System;

(18) During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of, or Franchisor's ownership of, or right to use and to license others to use, the Marks;

(19) Franchisee's use of the Marks does not give Franchisee any ownership interest or other interest in or to the Marks;

(20) All goodwill arising from Franchisee's use of the Marks shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Marks;

(21) Except as specified in Section 1.02 hereof, the license of the Marks granted to Franchisee hereunder is nonexclusive and Franchisor retains the right, among others, (i) to use the Marks itself in connection with selling products and services, (ii) to grant other licenses for the Marks, and (iii) to develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing Franchisee any rights therein.

5.2 Protection of Marks.

Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity of the Marks. Franchisor will use, and permit Franchisee and other franchisees to use, the Marks only in accordance with the System and the standards and specifications attendant thereto which underlie the goodwill associated with and symbolized by the Marks.

ARTICLE 6. FRANCHISEE'S OBLIGATIONS & DUTIES

6.1 Selection and Lease of Premises.

(a) Time Periods. Unless otherwise agreed by Franchisor, within 7 months of the date this Agreement is signed, the Premises shall be selected and a lease signed by Franchisee subject to Franchisor's written approval. In any event, and unless otherwise specified by Franchisor, Franchisee shall commence business operations within 1 year of the date this Agreement is signed. If Franchisor has not approved a location for Franchisee to operate the Business as of the date Franchisee signs this Agreement, the parties shall enter into the Site Selection Addendum attached as Exhibit 1 to this Agreement, the terms of which shall govern the parties' site selection obligations. Franchisee may not relocate the Business without Franchisor's prior written consent. Upon written request by Franchisee, Franchisor may, in its sole discretion extend the deadline to obtain possession of the Premises.

(b) Lease Terms. The term of any lease for the Premises, including any options, must be equal to or greater than the term of this Agreement. Franchisor has the right to review, evaluate and approve Franchisee's proposed lease (the "Lease") for the Premises prior to execution. Franchisor may condition Franchisor's approval of any proposed Lease on, among other things, Franchisee and Franchisee's landlord's execution of a Collateral Assignment of Lease (attached as Exhibit 3 hereto) which (i) grants Franchisor the right, without the obligation, to assume the Lease upon (a) Franchisee's default under the Lease, or (b) termination, transfer or expiration of this Agreement; and (ii) authorizes and requires Franchisee's landlord to disclose to Franchisor, upon Franchisor's request, sales and other information Franchisee has furnished to the landlord. Franchisee shall deliver an executed copy of the Lease and the Collateral Assignment of Lease to Franchisor within ten (10) days of execution thereof. Neither Franchisor's review of the Lease nor Franchisor's acceptance of the site Franchisee has selected constitutes a representation or guarantee that Franchisee will succeed at the Premises or an expression of Franchisor's opinion regarding the terms of the Lease. Franchisor encourages Franchisee to seek independent counsel from a lawyer or business adviser to assist Franchisee in selecting a location and negotiating a lease for the Business.

(c) Relocation. If, for any reason, the Lease term is shorter than the term of this Agreement and the Lease cannot be renewed or extended, or Franchisee cannot continue for any other reason to occupy the Premises, Franchisee must relocate the CREAM Business to a mutually acceptable site within the Territory to complete the unexpired portion of the term of this Agreement. Franchisee must notify Franchisor of Franchisee's intention to relocate, procure a site acceptable to Franchisor within ninety (90) days prior to closing Franchisee's existing Business, and open the new Business for business within thirty (30) days of closing Franchisee's existing Business.

6.2 Business Appearance and Construction.

The Business shall conform to Franchisor's standards and specifications for appearance, layout and design. Franchisor may provide Franchisee with prototypical architectural rough drawings for build-out of the Business as Franchisor deems appropriate in its sole discretion, but Franchisee is ultimately responsible for the preparation of final architectural and working drawings necessary to complete construction and/or build-out at the Premises. Franchisor must approve all plans before Franchisee begins construction/build-out. Franchisor must approve all subsequent, material changes to the plans and drawings before such changes may be implemented. Franchisee must purchase architecture and contracting services for the construction of the Business which meet Franchisor's minimum specifications as outlined in the Manual (as defined in Section 6.05 below). Franchisor reserves the right to designate a supplier Franchisee must use in connection with such services as designated in the Manual. Any architect or contractor which Franchisee hires must be approved by Franchisor, in advance, and in writing. Franchisee is solely responsible for ensuring that the site conforms to all local ordinances and building codes and obtaining any required permits. Franchisee further acknowledges that Franchisor has no responsibility to ensure that the Franchised Business is developed and operated in compliance with all applicable laws, ordinances, and regulations, and that Franchisor shall have no liability in the event the development or operation of the Franchised Business violates any law, ordinance or regulation.

6.3 Attend and Satisfactorily Complete All Training; Attend Conventions.

Franchisee and all trainees of Franchisee shall, at Franchisee's sole expense, attend and satisfactorily complete all segments of the training program as provided for in Section 8.01 hereof. Franchisee agrees to attend all seminars and additional/refresher training and pay all associated costs as provided for in Sections 7.02(c) and 8.02 below.

6.4 Opening Requirements.

Franchisee shall open the Business for business within one (1) year from the date Franchisor and Franchisee sign this Agreement.

6.5 Operation of Business.

(a) Operations Manual. Franchisee shall follow Franchisor's start-up timetable as delivered during Franchisor's training program regarding the development and commencement of Business operations and shall thereafter, continuously operate the Business devoting Franchisee's full working time, best efforts, skills, and diligence to the Business, selling and providing only those custom frozen dessert, cookie and ice cream sandwich products, services and supplies authorized or required to be provided as part of Franchisor's System as set forth in Franchisor's confidential operations manual ("Manual"), including supplements, addenda and amendments thereto, and Franchisee shall not sell or provide other services or products except those which Franchisor, in its sole and absolute discretion, shall approve as being compatible and not interfering with Franchisor's System, Marks and Network. However, while the Manual is designed to protect Franchisor's brand and reputation, and the goodwill associated with Franchisor's Marks, the Manual is not designed to control the day-to-day operation of the

Franchised Business. The Manual, as modified from time to time, and containing the most current schedule of fees, is incorporated in this franchise agreement by reference.

(b) System Improvements. Franchisee acknowledges and agrees that Franchisor may supplement, improve or otherwise alter the System and the methods, procedures and techniques which Franchisee is authorized and required hereunder to utilize in the operation of the Business, including addition to or elimination from the System of products (or services) or other activities constituting elements thereof. Franchisee acknowledges and agrees that Franchisor shall have sole control and discretion over all supplements, improvements, alterations and development of the System, and the products and services offered there under; that this control and discretion is in the best interests of the System; and that Franchisee will comply with all Franchisor's requirements concerning the System and Network improvements thereto, including the payment of any fees or costs associated therewith. Franchisee shall endeavor, in its operation of the Business to develop and conceive such supplements, improvements and alterations, and upon doing so shall in each case promptly and fully advise Franchisor thereof. Franchisor shall have the right, but not the obligation, to make use of all supplements, improvements and alterations so conceived or developed by Franchisee, including the right to disseminate the same to all franchisees for their use, all without payment of royalties, fees or other compensation by Franchisor or other franchisees.

(c) Compliance with Network. Franchisee understands and acknowledges that this franchise and the CREAM Business will benefit from being an integral part of a network of similar franchises in a variety of locations, utilizing the System in a uniform manner, providing uniform custom frozen dessert, cookie and ice cream sandwich products and supplies with personnel of uniform skill and training, hence capable of mutual complementation and interrelation, particularly in the types and quality of custom frozen dessert, cookie and ice cream sandwich products, and supplies offered. Accordingly, Franchisee agrees, specifically and without limiting any other obligations of Franchisee expressed in this Agreement, that the interests of Franchisor's System and Network are vital to the success of each franchisee, and that each franchisee has an obligation to promote and further Franchisor's System and Network to the fullest extent possible. Therefore, Franchisee agrees to adhere to Franchisor's standards, specifications and requirements concerning the Marks, Franchisor's System and Network as specified by Franchisor from time to time in the Manual including, without limitation, the offering of any new products or services, the elimination of any previously specified products or services, and the operation of the Business as an integral part of Franchisor's Network, cooperating and complementing other CREAM franchises thereof.

(d) Follow Manual and Standards. Franchisee shall operate the Business in all respects in accordance with all reasonable requirements of Franchisor from time to time in effect, as set forth in the Manual and in other communications from Franchisor, maintaining the highest business standards of quality and ethical conduct. The Business shall be established and at all times operated as and constitute a business of the highest quality and professionalism. With respect to the Manual, Franchisee specifically agrees as follows:

(1) Franchisee shall treat the Manual and any other Manual created and approved for use in the operation of the Business, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain this information as secret and confidential;

(2) Franchisee agrees that the Manual shall remain the sole property of Franchisor; and that Franchisor may, from time to time, revise the contents of the Manual;

(3) Franchisee agrees to comply with each new or changed provision of any Manual; that no modification of the Manual will alter Franchisee's fundamental status and rights under this Agreement; and that Franchisor may update the Manual (or portions thereof) manually or by electronic means via Franchisor's website, email or as otherwise specified by Franchisor.

(4) Franchisee agrees that the master copy of each Manual maintained by Franchisor at its principal office shall be controlling in the event of a dispute relative to the content of any Manual.

(5) Franchisee agrees to keep the Manual in a secure location at the Premises.

(6) Franchisee must honor the terms of all promotional or discount programs that Franchisor may offer to the public for System businesses, and Franchisee must comply with any pricing policies Franchisor may specify, including minimum and maximum price policies, minimum advertised price policies and unilateral price policies. Franchisee must also provide those services and other items Franchisor specifies on such terms and at such rates, including free-of-charge, as Franchisor may specify.

6.6 Purchasing Requirements.

(a) CREAM Business Specifications. Franchisee shall use signs, furnishings, supplies, fixtures, equipment and inventory which comply with Franchisor's then-current standards and specifications (including, without limitation, standards and specifications for products, services, equipment, furnishings, audio and video materials, fixtures and signage), which Franchisor establishes from time to time. Franchisor has the right to change Franchisor's standards and specifications in Franchisor's sole discretion. Franchisee acknowledges that Franchisee may be required to incur an increased cost to comply with any such changes at Franchisee's expense.

(b) Approved Frozen Dessert, Cookie and Ice Cream Sandwich Products. Franchisee shall offer all products and services which Franchisor prescribes and only those custom frozen dessert, cookie and ice cream sandwich products and related supplies that meet Franchisor's standards of quality and have been expressly approved by Franchisor in writing for offer or sale by Franchisee. Franchisee shall refrain from any deviation from Franchisor's standards and specifications for selling custom frozen dessert, cookie and ice cream sandwich products (or services that may be developed), and shall discontinue offering and selling any custom frozen dessert, cookie and ice cream sandwich product (or service) that Franchisor disapproves in writing from time to time, in its sole discretion. Franchisee shall at all times maintain sufficient levels of inventory and other products, of the type, quantity and quality as specified in the Manual or otherwise in writing, to adequately satisfy consumer demand. Franchisee must offer and sell all private label products which Franchisor designates for sale by System franchisees. Such items may include, without limitation, shirts, pants, jackets and other clothing, and accessories including, but not limited, specialty reusable cups and serving containers.

(c) Designated and Approved Suppliers. Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of Franchisor's trade dress, Franchisee agrees to purchase certain signs, furnishings, supplies, fixtures, equipment and inventory from Franchisor or from approved or designated third party suppliers as Franchisor shall specify, from time to time, in the Manual and otherwise in writing. Franchisee hereby acknowledges that Franchisor, Franchisor's affiliates and/or a third party may be one of several, or the only, approved supplier of any item. Franchisee further acknowledges and agrees that Franchisor and/or Franchisor's affiliates have the right to derive revenue and a profit on any items that Franchisor, Franchisor's affiliates or Franchisor's approved suppliers supply to Franchisee.

(d) Supplier Approval. In the event Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee or the supplier must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier), for any purposes Franchisor deems appropriate. Nothing herein shall require Franchisor to approve an unreasonable number of suppliers for a given item, which approval might, in Franchisor's reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. Franchisor may revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Franchisee must use products purchased from approved suppliers solely in connection with the operation of Franchisee's Business and not for any competitive business purpose.

(e) System Suppliers. Franchisor may establish business relationships, from time to time, with suppliers who may provide services or products, including, among other things, certain furnishings, supplies, fixtures, equipment and inventory according to Franchisor's proprietary standards and specifications, or private label goods which Franchisor has authorized and prescribed for sale by System franchisees ("System Suppliers"). Franchisee recognizes that such products and services are essential to the operation of the Business and to the System generally. Franchisee further recognizes that Franchisee's failure to pay System Suppliers may interfere with such suppliers' willingness to supply the System, which may result in other System franchisees' inability to obtain product or ability to obtain product only on less favorable credit terms. Accordingly, Franchisee expressly agrees to pay System Suppliers as and when due.

6.7 Operations.

(a) Management. Unless agreed otherwise in writing by Franchisor, Franchisee shall devote full working time to the Business during the term of this Agreement. In the event Franchisee is given consent to devote less than full working time to the operation of the Business, Franchisor's consent will be conditioned on Franchisee employing a competent individual, approved by Franchisor, who has been adequately trained by Franchisee. Franchisor must approve of the manager which Franchisor will approve in its sole discretion. If this individual has not been adequately training by Franchisee, he or she must successfully complete Franchisor's then-current training requirements as provided for in Section 8.01. This individual must devote to the management of the Business at least the equivalent of the working time not devoted by Franchisee; and provided further, that if Franchisee is at any time, by reason of sickness, disability or other cause, rendered unable to devote full working time to the operation, Franchisee shall employ one or more substitutes, all to the end that there shall be devoted to the management of the Business at all times at least the full working time of one competent individual who has successfully completed Franchisor's training program. In no event shall Franchisee conduct or operate, directly or indirectly, or be employed by or associated in any way with any business which is competitive with the operation of the Business, or any portion thereof.

(b) Hours of Operation. Franchisee must operate the Business for at least those months, hours and days that Franchisor specifies in the Manual or otherwise in writing.

(c) Appearance of Premises/Customer Services. Franchisee must maintain the Business in a clean, safe and attractive manner, and in accordance with all applicable requirements of law, including all federal, state and local laws or regulations, and the Manual. Franchisee and Franchisee's employees must give prompt, courteous and efficient service to the public and otherwise operate the Business so as to preserve, maintain and enhance the reputation and goodwill of the System.

(d) Personnel. Franchisee must employ a sufficient number of qualified, competent personnel, offer prompt, courteous and efficient service to the public, and otherwise operate the Business in compliance with the System so as to preserve, maintain and enhance the reputation and goodwill of the System. All employees engaged in the operation of the Business during working hours shall dress conforming to Franchisor's standards, shall present a neat and clean appearance (including wearing Franchisor's uniform, if required) in conformance with Franchisor's reasonable standards, and shall render competent, efficient service to the customers of the Business.

(e) Compliance with the Manual. Franchisee agrees to operate the Business in accordance with the Manual. Franchisee shall immediately train and instruct Franchisee's employees in accordance with the Manual, and shall continue such training and instruction as long as each employee is employed. The Manual shall set forth the practices, procedures and methods to be utilized at the Business. The standards set forth in the Manual are designed to protect the System and the Marks associated therewith, and not to control the day-to-day operation of the Franchised Business. Franchisee at all times will remain responsible for the operation of the Franchised Business, and all activities occurring at the Franchised Business. Franchisee must hire, train, discipline and otherwise be solely responsible for the Franchised

Business's employees. Franchisor is not responsible for, and does not direct or control the conduct of any employee of Franchisee.

(f) Working Capital Requirements. Franchisee must at all times maintain such working capital as may be reasonably necessary to enable Franchisee to properly and fully carry out and perform all of Franchisee's duties, obligations and responsibilities hereunder and to operate the Business in a businesslike, proper and efficient manner.

(g) Inventory Levels. Franchisee must at all times maintain sufficient levels of inventory to adequately meet consumer demand.

(h) Promotion of CREAM Network. Franchisee shall vigorously pursue and promote sales and activities leading to growth by the Business, marketing the Territory to its fullest potential and shall cooperate with Franchisor and other franchisees in Franchisor's Network in promoting and enhancing Franchisor's System, Network and Marks.

(i) Customer Complaints. Franchisee shall promptly respond to any customer complaint and inform Franchisor of any complaint not fully resolved to the customer's satisfaction within seven (7) calendar days. Franchisor shall have the right, but not the obligation to assist in or mandate a resolution to any customer complaint. Franchisee shall, at Franchisee's sole expense, implement any resolution that Franchisor directs.

(j) Credit Card Guidelines. Franchisee agrees to comply with the then-current Payment Card Industry Data Security Standards ("PCI DSS"), as such standards may be revised and modified by the PCI Security Standards Council (see www.pcisecuritystandards.org), or any successor organization or standards that Franchisor may reasonably specify. Franchisee's requirements include, but are not limited to, implementing the enhancement, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

6.8 Computer Software and Hardware.

(a) Requirements. Franchisee shall purchase and use any and all computer software programs ("Software") which Franchisor has developed or may develop and/or designate for use for the System, and shall purchase such computer hardware as may be necessary for the efficient operation of the Software, including without limitation, a point- of-sale electronic cash register system and credit card machine and a scanner. Franchisor has the right to require Franchisee to update or upgrade computer hardware components and/or Software as Franchisor deems necessary from time to time. In addition, Franchisor has the right to require Franchisee to enter into a separate maintenance agreement for such computer hardware and/or Software. Notwithstanding the fact that Franchisee must buy, use and maintain the computer hardware and Software meeting Franchisor's standards and specifications, Franchisee will have the sole and complete responsibility for: (i) the acquisition, operation, maintenance and upgrading of the computer hardware and Software; and (ii) any and all consequences that may arise if the computer hardware and Software is not properly operated, maintained and upgraded.

(b) If and at such time Franchisor develops and custom-designs a software program for conducting accounting, inventory and point-of-sale functions, or any other activities related to the operation of Franchisee's Business ("Proprietary Software Program"), Franchisee, at Franchisee's own expense, agrees to obtain the computer hardware required to implement the Proprietary Software Program into Franchisee's Business, and to comply with all specifications and standards prescribed by Franchisor regarding the Proprietary Software Program as provided from time to time in the Manual or otherwise in writing. Any Proprietary Software Program shall be considered to be a part of Franchisor's Confidential Information. It is possible that Franchisor might not be able to alter the Proprietary Software Program and system to accommodate each and every franchisee of the System, and therefore, at such time that Franchisor requires the implementation of such Proprietary Software Program, Franchisee shall only utilize the program as prescribed by Franchisor.

6.9 Area Computer Network, Intranet or Extranet Participation.

Franchisee is required to participate in any System-wide area computer network, intranet system or extranet system that Franchisor implements and may be required by Franchisor to use such area computer network, intranet system or extranet system to, among other things: (i) submit Franchisee's reports due under this Agreement to Franchisor online; (ii) view and print portions of the Manual; (iii) download approved local advertising materials; (iv) communicate with Franchisor and other System franchisees; and (v) participate in online training. Franchisee agrees to use the facilities of any such area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that Franchisor includes in the Manual, including those related to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements. Further, Franchisor will pursue action to fullest extent allowed by law if Franchisee misuses any System-wide area computer network, intranet system or extranet system.

6.10 Personal Conduct.

Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to put the Marks or System into disrepute.

6.11 Telephone.

Franchisee must obtain a new telephone number and telephone listing at Franchisee's expense, to be listed under the "CREAM" name and not under Franchisee's corporate, partnership, or individual name, and to be used exclusively in connection with Franchisee's operation of the Business. Franchisee expressly agrees to execute the Conditional Assignment of Franchisee's Telephone Numbers, Facsimile Numbers and Domain Names attached hereto as Exhibit 4, which provides that, upon the expiration, transfer or termination of this Agreement for any reason, Franchisee shall terminate Franchisee's use of such telephone number and listing, as well as any other facsimile numbers and listings and domain names and Internet listings, and assign same to Franchisor or Franchisor's designee. Franchisee must answer the telephone in the manner Franchisor specifies in the Manual.

6.12 Payment of Debts.

Franchisee is solely responsible for selecting, retaining and paying Franchisee's employees; the payment of all invoices for the purchase of goods for use in the Business; and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the conduct of the Business. Franchisee agrees to pay all current obligations and liabilities to suppliers, lessors and creditors on a timely basis. Franchisee agrees to indemnify Franchisor in the event that Franchisor elects to pay any of Franchisee's obligations in order to preserve the relationship between System Suppliers and System franchisees. Franchisee agrees to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, and personal property and real estate taxes, arising from Franchisee's operation of the Business. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for these taxes.

6.13 Compliance with Applicable Laws.

Franchisee must comply with all applicable federal, state and local laws, ordinances and regulations regarding the construction, design and operation of the Business (including, without limitation, all regulations relating to all government regulations relating to food preparation, service, and delivery, if applicable, immigration laws, health and sanitation laws and regulations, occupational hazards and health, consumer protection, trade regulation, worker's compensation, unemployment insurance, withholding and payment of federal and state income taxes, social security taxes and sales, use and property taxes, and the applicable provisions of the Americans with Disabilities Act ("ADA")). Franchisee expressly acknowledges that Franchisor has not researched the specific laws and regulations applicable to Franchisee's Business, and that Franchisee is solely responsible for compliance with such laws and regulations.

6.14 Trade Secrets and Confidential Information.

Franchisee must maintain the confidentiality of all Confidential Information as set forth in Section 4 of this Agreement.

6.15 Image.

Franchisee acknowledges that Franchisor has developed the System to offer and sell products which will distinguish the Business from other ice cream shops, bakeries and chains which offer similar menu items valued at different prices and with less attention paid to product quality and customer service excellence. Franchisee agrees to offer services and products and to conduct the Business in such a manner which will serve to emulate and enhance the image Franchisor intended for the System. Franchisee further acknowledges and agrees that each aspect of the System is important not only to Franchisee but also to Franchisor and to other System franchisees in order to maintain the highest operating standards, achieve system wide uniformity and increase the demand for food and beverage items served by System franchisees. Franchisee agrees to comply with the standards, specifications and requirements Franchisor set forth in order to uniformly convey the distinctive image of a Business. Franchisee shall, in the operation of the Business and in selling items, use only such displays, labels, forms, and stationery imprinted with the Marks and colors as prescribed from time to time by Franchisor.

6.16 Pending Actions.

Franchisee shall notify Franchisor, in writing, within five (5) days of the commencement of any action, suit or proceeding or the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of Franchisee or the Business.

6.17 Standard Maintenance.

Franchisee agrees to repair, refinish, repaint, replace, and/or otherwise redo the Business, including its signs, furnishings, fixtures, decor, and any other tangible part or property of the Business, at Franchisee's sole expense and at such times as Franchisor may reasonably direct. Franchisee agrees that Franchisor has the right to direct Franchisee to remodel, re-equip, and otherwise refurbish the Premises in the manner necessary to bring it into conformance with other franchises of the type Franchisor and Franchisor's franchisees are opening at the time of such direction.

6.18 Right of Entry.

Franchisee agrees, that in order to maintain the high quality and uniform standards associated with the System and to protect its goodwill and reputation, to permit Franchisor, and its agents the right to enter the Premises at all times during regular business hours, without prior notice to Franchisee, for the purpose of determining compliance with this Agreement and Manual, as well as for interviewing Franchisee's customers and personnel, observing operations and conducting on-site market surveys or studies. Franchisee shall cooperate with Franchisor's agents during these visits, and upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, Franchisee is obligated to make changes to Franchisee's operations based upon any inspections by Franchisor.

6.19 Indemnification.

Franchisee and Franchisee's principals agree to indemnify, defend and hold Franchisor, Franchisor's affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("Indemnitees") harmless against and to reimburse them for all claims, obligations, liabilities and damages ("Claims"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (i) the operation of Franchisee's Business, including the use, condition, or construction, equipping, decorating, maintenance or day-to-day operation of the Business, the sale of any service or merchandise sold from the Business, and Franchisee's advertising; (ii) Franchisee's use of the Marks; (iii) the transfer of any interest in this Agreement or Franchisee's Business in any manner not in accordance with this Agreement; (iv) the infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of Franchisee's principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; (v) libel, slander or any other form of defamation of Franchisor, the System or any franchisee or developer operating under the System, by Franchisee or by any of Franchisee's principals; and (vi) Franchisee's violation of any labor or employment law. For purposes of this indemnification, "Claims" shall mean and include all obligations, actual, consequential, punitive and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through Franchisee to Franchisor. Franchisor shall have the right, though not the obligation, to defend any such Claim against it in such manner as Franchisor deems appropriate or desirable in Franchisor's sole discretion. Such an undertaking by Franchisor shall, in no manner or form, diminish Franchisee's and each of Franchisee's principals' obligations to indemnify the Indemnitees and to hold them harmless. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

6.20 Encumbrances.

During the term of this Agreement, except with the prior written consent of Franchisor, Franchisee shall not mortgage, pledge or otherwise assign as security, this Franchise Agreement, the Business or any part thereof, which consent shall not be unreasonably withheld in connection with the financing of the Business.

6.21 Joint Employment.

Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

6.22 Customer Privacy.

Franchisee agrees to comply with all applicable laws pertaining to the privacy of the customer, employee, and transactional information ("Privacy Laws"). Franchisee further agrees to comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to Privacy Laws and actual applicable law, Franchisee will: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor in determining the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent.

ARTICLE 7. FRANCHISOR'S OBLIGATIONS

7.1 Pre-Opening Services.

Franchisor may assist Franchisee and perform initial services as follows:

(a) Training Program. Franchisor shall provide Franchisee and up to one (1) additional trainee specified by Franchisee, with a single training program in connection with the management and operation of the Business as described more fully in Section 8 of this Agreement.

(b) Confidential Operations Manual. Franchisor shall loan to Franchisee, promptly following the successful completion of Franchisee's training program, one complete copy of the Manual.

(c) Initial Forms. Franchisor may provide Franchisee with copies of reporting and other operating forms as detailed by Franchisor in the Manual.

(d) Site Criteria. Franchisor will provide Franchisee with information about Franchisor's minimum site criteria for Franchisee's use and completion as part of Franchisee's lease evaluation process set forth in Section 6.01 above, containing site characteristics, proximity factors, and square footage recommendations. The parties agree furnishing this criteria does not constitute an express or implied assurance, representation or warranty of any kind.

(e) Nonstructural Layout. Franchisor may, as it deems appropriate in its sole discretion, advise on and provide Franchisee with a basic design layout for Franchisee's Business that Franchisee will adapt to Franchisee's specific site but Franchisee is solely responsible for ensuring that the Premises conforms to Franchisor's standards and specifications. Franchisor must approve in writing the drafts and final plans before construction begins.

7.2 Support for Business Operations.

Franchisor may supply to Franchisee, in support and assistance of Franchisee's operations, the following:

(a) Start Up Assistance. Franchisor may assist Franchisee for a period of between one (1) and four (4) days at Franchisee's Business depending on Franchisee's needs and aptitude, to aid in learning operations and to assist in establishing standard operating procedures. Franchisee shall pay Franchisor its then-current training fee plus the travel and living expenses of Franchisor's representatives.

(b) Consultation. Franchisor may, as it deems appropriate in its sole discretion, make available, at its corporate office, personnel for consultation by email or mobile communications during normal business hours, concerning questions arising in the day-to- day operation of Franchisee's Business.

(c) Franchisee Conventions. Franchisor may sponsor annual seminars for updates on new management techniques, industry trends and other topics of interest to all franchisees.

Although there will be no separate training charge for these seminars, in all cases it will be Franchisee's responsibility to pay all travel, living and other expenses incurred by Franchisee or Franchisee's employee(s) while attending these seminar. Franchisor may use expenditures from the Brand Fund (as defined in Section 11.05) for purposes related to the conventions, including costs related to programs and materials.

(d) Updating. Franchisor may disseminate periodic supplements and amendments to its confidential Manual as well as other information of general interest to all Franchisees.

(e) Advertising. Franchisor will supervise the development of advertising, promotional, public relations, internet presence, website updates and other programs, including the CREAM Brand Fund (as defined in Section 11.05) when implemented pursuant to the terms of Section 11.05.

(f) Additional Consulting. At Franchisee's request, Franchisor may, as it deems appropriate in its sole discretion, provide additional, support or on-site consulting services in accordance with Franchisor's then-current consulting fee schedule that sets forth acceptable consulting assignments, the skill set required and currently hourly rate(s), minimums, travel expenses, etc. An advance retainer may be required to commence the assignment, with payments for the retainer and other billings due on receipt of invoice. Franchisee is also responsible for paying all travel expenses (airfare, meals, and lodging) incurred by Franchisor's personnel.

(g) Start-up and Ongoing Inventory and Supplies. To the extent Franchisor deems necessary in its sole discretion, Franchisor will provide specifications for and designate sources of supply from which Franchisee agrees to purchase equipment, inventory, goods and supplies necessary for the start-up and ongoing operations of Franchisee's Business.

(h) New Manager and Additional Training. Franchisor may, as it deems appropriate in its sole discretion, hold refresher and ongoing training courses, or training courses upon a significant change to the System as provided in Section 8.03.

(i) Toll-Free Telephone Number. Franchisor has the right, but not the obligation, to establish and maintain a toll free telephone number for the purpose of dealing with prospective customers, improving customer service, and conducting customer follow-up and satisfaction surveys. If Franchisor establishes a toll free number, Franchisee must comply with Franchisor's procedures for implementing the nationwide service as Franchisor specifies in the Manual or otherwise in writing, and Franchisee may be required to pay a fee related to the establishment, operation and maintenance of the toll free telephone number.

ARTICLE 8. TRAINING

8.1 Initial Training Program.

Franchisor shall provide Franchisee and up to one (1) additional trainee ("Trainee") specified by Franchisee, with a single tuition-free training program in connection with the management and operation of the Business. The training program will be conducted at Franchisor's headquarters or any other location designated by Franchisor, of up to 40 hours duration depending on Franchisee's prior background and aptitude. All segments of the training course shall be attended and successfully completed by Franchisee and Trainee no later than thirty (30) days prior to opening the Business. Should Franchisee or Trainee fail to complete the initial training program to Franchisor's satisfaction, at Franchisor's option, the respective person may repeat the course, or in the case of the Trainee, Franchisee may designate a replacement Trainee (the "Replacement Personnel") and send such individual to the next available initial training program. Franchisor may charge its then-current tuition fee for such Replacement Personnel attending an initial training program. Failure by Franchisee to complete the initial training program to Franchisor's satisfaction is a cause for termination of this Agreement and Franchisor may terminate the Agreement.

8.2 Training of Additional Personnel.

Franchisee's other employees may be trained by Franchisee or another person who has completed Franchisor's initial training program, or at Franchisee's request, and subject to the availability of Franchisor's personnel, Franchisor will train Franchisee's additional personnel at Franchisor's headquarters at Franchisor's then-current tuition rate. Franchisee is responsible for all expenses, including transportation to and from the training site, as well as lodging, meals, and wages during training, incurred in training Franchisee's additional personnel. All training must be completed by Franchisee's personnel before undertaking substantial responsibility in the operation of the Business. Only Franchisor-provided training materials may be used by Franchisee in training Franchisee's personnel. Updated training materials will be provided to Franchisee by Franchisor as they are developed. All training materials provided to Franchisee by Franchisor shall at all times remain Franchisor's property and Confidential Information, and Franchisee agrees not to challenge Franchisor's or Franchisor's affiliates' title or rights in or to the training materials. Franchisee may not make any disclosure, duplication or other unauthorized use of any portion of the training materials.

8.3 Additional or Refresher Training.

To assist Franchisee in the operation of Franchisee's Business, Franchisor may offer additional training programs and/or refresher courses to Franchisee and/or Franchisee's employees. Franchisor may require Franchisee's attendance at these programs and/or courses. Franchisee is responsible for the expenses of Franchisee's and Franchisee's employees, including transportation to and from the training site and lodging, meals, and salaries during such training. The additional training programs and refresher courses will be at Franchisor's then-current tuition rate for such training.

ARTICLE 9. INSURANCE

9.1 Insurance.

Without limiting its obligations under Section 6.19, Franchisee agrees to purchase/procure and maintain such insurance covering the operation and location of the CREAM Business as Franchisor may designate from time to time. Franchisor's present insurance requirements are as follows: special form property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Business; (ii) comprehensive general liability insurance, containing minimum liability protection of $1,000,000 combined single limit per occurrence, and $2,000,000 in the aggregate; (iii) professional liability insurance, containing minimum liability protection of $1,000,000 combined single limit per occurrence, and $3,000,000 in the aggregate; (iv) worker's compensation insurance and employer's liability insurance as required by law; (v) auto insurance coverage covering franchisee-owned vehicle used in the operation of the Business; (vi) business interruption insurance; (vii) employment practices liability insurance; (viii) if any vehicle is operated in connection with the conduct of the Business, automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with minimum limits of liability in the greater of (a) the amount required by all applicable state and federal laws, or (b) a combined single limit of $1,000,000 for bodily injury and property damage; (ix) coverage for data theft and cyber security; and (x) any other insurance that we may specify in the Manual from time to time. Franchisee agrees to obtain these insurance policies from insurance carriers that are rated "A" or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which Franchisee operates its Business. Franchisee agrees to provide Franchisor with proof of coverage on demand. All insurance policies must: (i) name Franchisor (and Franchisor's members, officers, directors, and employees) as additional insureds; and (ii) contain a waiver by the insurance carrier of all subrogation rights against Franchisor. Furthermore, Franchisee shall be required to provide ten (10) days prior written notice of the termination, expiration, cancellation or modification of any insurance policy. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. Franchisee agrees to carry such insurance as may be required by the lease of the Premises or by any of Franchisee's lenders or equipment lessors. Franchisee must submit a certification of insurance which demonstrates compliance with this Section. Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within 24 hours. Franchisee has a 24 hour opportunity to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, nonrenewal or material modification, except upon at least thirty (30) calendar days' prior written notice from the insurance carrier to Franchisor. Franchisee must submit a certification of insurance which demonstrates compliance with this Section. If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep same in force and effect and Franchisee shall pay Franchisor, on demand, the premium cost thereof and administrative costs of eighteen percent (18%) of the premium cost in connection with Franchisor's obtaining the insurance. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice.

ARTICLE 10. FINANCIAL REPORTS

10.1 <u>Record keeping</u>.

For seven (7) years, Franchisee shall maintain and preserve at the Premises full, complete and accurate books, records and accounts of the Business, and supporting data, all in accordance with generally accepted accounting principles and utilizing accounting records, point-of-sale registers, software and computer systems approved or specified by Franchisor in the Manual or otherwise in writing, updated on a regular basis also as specified in the Manual and giving

Franchisor remote computer access as and when Franchisor deems necessary. Franchisee's fiscal year must be on a calendar year basis. All email accounts sent and received through Franchisor's email accounts are deemed the property of Franchisor and can by monitored by Franchisor at any time without notice to Franchisee. Franchisor shall have unlimited independent access to any data Franchisee collects and Franchisee shall provide Franchisor with any passcodes or passwords necessary to access the point of sale system and computer system upon request by Franchisor. Furthermore, Franchisor has the right to use the information derived from the computer system and point of sale system as it deems appropriate in its sole discretion. Franchisee shall back up all computer systems, records and accounts into a separate "cloud" database, which shall be backed up at least once a week. Upon termination, Franchisee shall not destroy any computer systems, records or accounts, however, if Franchisee does destroy any such records, Franchisee shall reimburse Franchisor for any costs it incurs in retrieving such data. In addition to any other remedy available to Franchisor hereunder, if any report is not submitted by Franchisee hereunder, Franchisor and Franchisee agree that Franchisor may charge Franchisee Fifty Dollars ($50.00) per day until such report is submitted.

10.2 <u>Inspection; Audit</u>.

Franchisor shall have the right at any time during normal business hours, and without prior notice to Franchisee, to have the books, records, data and financial statements (including software programs used to compile this information) of Franchisee's Business inspected and, at Franchisor's option, audited. Any audit shall be done by a certified public accountant of Franchisor's choice, and shall be at Franchisor's sole cost and expense, except if any audit discloses an understatement of any fees due Franchisor by two percent (2%) or more for any period, then the entire cost of the audit, including without limitation the charges for any certified public accountant, its employees and the travel, room, board and compensation of Franchisor's employees connected with the audit, shall become immediately due and payable upon receipt of invoice.

10.3 <u>Reports</u>.

Unless otherwise required by Franchisor, Franchisee shall submit to Franchisor, in such form, detail and manner as Franchisor may require, complete and accurate reports throughout the term of this Agreement as detailed in the Manual. These reports shall include: (i) a monthly Gross Sales Report; (ii) a monthly profit and loss statement, due on or before the 5th day of each calendar month, for the preceding calendar month; (iii) state and local sales tax returns or reports and federal, state and local income tax returns for each year in which the Business is operating within thirty (30) days of their timely completion; (iv) annual financial reports and operating statements in the form Franchisor specifies, prepared by a certified public accountant or state licensed public accountant, within ninety (90) days after the close of each of Franchisee's fiscal years; and (v) such other reports as Franchisor may require from time to time, in the form and at the time Franchisor prescribes.

10.4 <u>Surveys and Studies</u>.

The continuing development, improvement and success of the CREAM Network and System requires meaningful, timely and accurate information concerning all functions and aspects of the CREAM Business. In order that Franchisor's System can be fully evaluated and improved and benefit all franchisees thereof, Franchisee agrees to prepare and forward to Franchisor, at times specified and on forms supplied by Franchisor, information that Franchisor may require for its use in preparing studies and surveys relating to the Business, the System and the Network, containing information specified by Franchisor.

ARTICLE 11. ADVERTISING, PUBLIC RELATIONS AND MARKETING.

Recognizing the value of advertising, public relations and marketing programs, and the importance of the standardization of these programs to promote and further the goodwill and public image of Franchisor's System and Marks, Franchisee agrees as follows:

11.1 Advertising Standards.

All advertising by Franchisee shall be completely factual and shall conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice that may be injurious to Franchisor's System or the goodwill associated with the Marks. Without limiting the foregoing, Franchisee agrees that all advertising and promotions by Franchisee in any form and in any medium shall be conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may from time to time designate in writing. Franchisee shall place or display at the Premises (interior and exterior) only such signs, emblems, lettering, logos, displays and advertising materials as Franchisor approves in writing from time to time. Franchisee shall submit to Franchisor, at least fifteen (15) days prior to publication or use, samples of all sales, promotional, and advertising materials Franchisee desires to use and which Franchisor has not previously approved, including, but not limited to, print, radio and television advertising, signage, supplies and packaging. Franchisor's failure to approve or disapprove the materials within (10) days of receipt shall be deemed a rejection. All advertising shall prominently display the Marks and shall comply with any standards for use of the Marks Franchisor establishes as set forth in the Manual or otherwise in writing. Franchisor may require Franchisee to discontinue the use of any advertising or marketing material, within time frames prescribed by Franchisor, at Franchisee's sole cost and expense.

11.2 Territorial Advertising Restriction.

Franchisee is not permitted to solicit customers and/or advertise outside Franchisee's Territory, except to the extent that Franchisee has received Franchisor's prior written authorization, which Franchisor will not unreasonably withhold. Franchisor may condition Franchisor's authorization upon Franchisee's agreement to offer System franchisees who are operating Businesses in territories encompassed by the circulation base of the proposed advertising the opportunity to participate in, and share the expense of, such solicitation and/or advertising. Notwithstanding the foregoing, Franchisee may provide services to customers from outside the Territory at the Premises. Franchisee may not advertise the Business or any products or services offered by the Business via the Internet or any other means of e-commerce, except as permitted in Section 11.03(c) below.

11.3 Internet Website.

(a) Access to Website. Franchisee must have and maintain adequate hardware and software in order to access the Internet at the bit speed Franchisor requires from time to time. Franchisee is prohibited, however, from establishing any website or other presence on the Internet, except as provided herein.

(b) Creation of Website. Franchisor may, but is not obligated to, establish an Internet website that provides information about the System and the products and services offered by CREAM Businesses. In the event Franchisor exercises its right to create such a website, Franchisor shall have sole discretion and control over the website (including timing, design, contents and continuation).

(c) Internal Pages. Franchisor may, but is not obligated to, create interior pages on its website(s) that contain information about the Business and other CREAM Businesses. If Franchisor does create such pages, Franchisor may require Franchisee to prepare all or a portion of the page for the Business, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's approval prior to posting.

(d) Consent for Separate Website. Except as approved in advance in writing by Franchisor, Franchisee must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Business, including any profile on Facebook, Twitter, Pinterest, LinkedIn, Instagram, YouTube or any other social media and/or networking site. If such approval is granted by Franchisor, Franchisee must: (i) establish and operate such Internet site in accordance with System standards and any other policies Franchisor designates in the Manual or otherwise in writing from time to time, including but not limited to Franchisor's Internet privacy policies; and (ii) utilize any templates that Franchisor provides to Franchisee to create and/or modify such site(s). If such approval is granted, Franchisee is solely responsible for its compliance for all applicable laws governing Internet usage and any other laws related to Internet usage.

(e) Modification. Franchisor shall have the right to modify the provisions of this Section 11.03 relating to Internet websites as Franchisor deems necessary or appropriate in the best interest of the System.

(f) Ownership. Franchisee acknowledges that Franchisor and/or Franchisor's affiliates are the lawful, rightful and sole owner of the Internet domain name www.creamnation.com, as well as any other Internet domain names registered by Franchisor, and Franchisee unconditionally disclaims any ownership interest in such domain names and any Internet domain names colorably similar thereto. Franchisee agrees not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by Franchisor or Franchisor's affiliates, or any abbreviation, acronym, phonetic variation or visual variation of those words.

11.4 Grand Opening Advertising.

In addition to the advertising obligations listed below, Franchisee must spend at least $10,000 before the Business begins operation as the grand opening advertising requirement ("Grand Opening Advertising Requirement").

11.5 CREAM Brand Fund.

(a) Establishment. Franchisee shall make monthly contributions of two percent (2%) of Gross Sales as its CREAM Brand Fund Contribution, as specified by Franchisor, payable together with and in the same manner as the royalty payments referred to in Section 3.02, to a collective fund ("CREAM Brand Fund"). The Fund, when implemented, shall be used by Franchisor solely for advertising, promotion and marketing in accordance with the provisions of subparagraphs (i) and (ii) below.

(b) Direction. Franchisee agrees that Franchisor shall have the right in its sole discretion to direct all local, regional and national advertising, public relations and marketing programs for the System; to use in these programs the Fund payments described in subparagraph (a) above; and that Franchisor shall have the sole discretion over the creative concepts, materials and media used and the placement and allocation thereof. Franchisee agrees and acknowledges that one of the primary intentions of the Fund is to maximize public recognition and acceptance of the Marks and Franchisor's website and that Franchisor undertakes no obligation in administering the Fund to make expenditures for the Territory which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from these programs. Franchisee agrees to participate in all material, regional and local advertising and promotions as Franchisor deems appropriate for the benefit of the System or the CREAM Business.

(c) Usage. Franchisee agrees that the Fund may be used to meet any and all costs of maintaining, directing, administering and preparing Network programs, including, without limitation, the cost of preparing, conducting and maintaining world wide web (internet) presence, internet search engine optimization, television, radio, magazine, newspaper, direct mail, outdoor billboard advertising, direct fax and other types of advertising campaigns; the cost of holding an annual convention, seminar, public relations activities, including, without limitation, the cost of hiring agencies to engage in public relations work; and employing advertising and public relations agencies and personnel to assist therein. Advertising and public relations agencies and personnel may be composed of employees of Franchisor or may be entities owned by or affiliated with Franchisor if use of in-house agencies is deemed best by Franchisor, in which event the methods for determining the value of services rendered by the in-house agency shall be set forth in writing and may be charged to the Fund. No sums paid by Franchisee to the Fund shall be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund and promotional programs, including, without limitation, conducting marketing research, preparing marketing and advertising materials and collecting and accounting for assessments for the Fund. While Franchisor does not anticipate that any part of the CREAM Brand Fund's contributions will be used for advertising which is principally a solicitation for franchisees, Franchisor reserves the right to use the CREAM Brand Fund's contributions for public relations or recognition of the CREAM brand and for the creation and maintenance of a web site, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available." Sales materials, if developed, may be sold to franchisees at a reasonable cost.

(d) Surveys. Franchisor may periodically assist franchisees in maintaining high quality standards by conducting customer surveys, customer interviews, secret shoppers, and other similar initiatives ("Surveys"). The cost of such programs will be paid from the CREAM Brand Fund. The cost of these programs may be charged directly to Franchisee if Franchisee's results from a Survey fall below System-established minimum standards for such Surveys. Furthermore, Franchisor shall share the results of any such Survey or secret shopper as it deems appropriate in its sole discretion.

(e) Overhead Expenses. Franchisor has the right to reimburse itself from the CREAM Brand Fund contributions for such reasonable costs and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the CREAM Brand Fund.

(f) Franchisor's Contributions. Franchisor's contribution to the CREAM Brand Fund for subsequent company-owned units will be paid at the rate provided for in Franchisor's franchise disclosure document in the year that the company owned unit is established. Should the advertising contribution for the System decrease at any time, Franchisor has the right to reduce Franchisor's contribution from company-owned units to the rate specified for franchised CREAM business.

(g) Accounting. Franchisor will prepare on an annual basis, and will have available for Franchisee within ninety (90) days of the end of the fiscal year, a statement of contributions and expenditures for the CREAM Brand Fund, which will be provided to Franchisee upon Franchisee's written request. The CREAM Brand Fund is not required to be independently audited.

11.6 Regional Advertising and Promotional Cooperative.

Franchisor shall have the right, in Franchisor's sole discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"), and to determine whether a Cooperative is applicable to the CREAM Business. If a Cooperative has been established applicable to the CREAM Business at the time Franchisee begins operating under this Agreement, Franchisee must immediately become a member of such Cooperative. If a Cooperative applicable to the Business is established at any later time during the term of this Agreement, Franchisee must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative begins operation. If the Business is within the territory encompassed by more than one Cooperative, Franchisee is required to be a member of only one such Cooperative. The following provisions will apply to each Cooperative:

(1) Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by Franchisor;

(2) Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and standardizing advertising materials for use by the members in local advertising;

(3) No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Franchisor's prior written approval. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 11.01 hereof;

(4) All contributions (which may exceed the Local Advertising Requirement described in Section 11.07) to the Cooperative shall be determined by a majority vote of the member franchisees in the Cooperative, subject to Franchisor's written approval, which shall not be unreasonably withheld;

(5) Each member franchisee must submit to the Cooperative, no later than the 7th of each month, for the preceding month, its respective contribution as provided in this Agreement together with such other statements or reports as Franchisor may require or as may be required by the Cooperative with Franchisor's written approval;

(6) All activities and decisions of the Cooperative shall be determined by a majority vote of the member franchisees in the Cooperative; and

(7) Franchisor may grant to any franchisee, in Franchisor's sole discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating reasons supporting such exemption. Franchisor's decision concerning such request for exemption will be final.

11.7 <u>Local Advertising</u>.

In addition to the CREAM Brand Fund Contribution described above in Section 11.05, Franchisee shall spend a minimum of one-and-a-half percent (1.5%) of Gross Sales monthly on local advertising in accordance with an annual local marketing plan developed by Franchisee (the "Local Advertising Requirement"). Franchisee must spend the Local Advertisement Requirement as Franchisor prescribes in the Manual or otherwise in writing, which may include, without limitation, requirements for placing a certain number and/or type(s) of media advertisements. Franchisee acknowledges and agrees that Franchisee's Local Advertising Requirement must be expended regardless of the amount(s) spent by other System franchisees on local advertising. Franchisee may spend any additional sums Franchisee wishes on local advertising. Franchisee must use only such advertising and promotional materials as have been previously approved by Franchisor. Franchisee must send Franchisor proof of these expenditures along with Franchisee's Gross Sales Reports, as specified in Section 3.04 of this Agreement.

ARTICLE 12. TRANSFER AND ASSIGNMENT

12.1 Prior Offering and Consent; Conditions For Approval.

(a) Transfer. Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee and its owners and that Franchisor has granted this franchise in reliance upon the individual character, skill, aptitude, attitude, business ability and financial capacity of Franchisee and its owners. Therefore, except as provided at Section 12.04, neither this Agreement or the Business, or any part or all of the ownership of Franchisee therein (including, but not limited to voting stock, securities convertible thereto, partnership and sole proprietorship interests), may be voluntarily, involuntarily, directly or indirectly assigned, sold, issued or otherwise transferred by Franchisee or its owner(s) until this Agreement and the Business have first been offered to Franchisor as provided in Section 12.03, and, if Franchisor does not accept this offer, without the prior written consent of Franchisor which shall not be unreasonably withheld, provided that the following conditions are met prior to, or concurrently with, the effective date of the assignment:

(1) The proposed transferee meets Franchisor's uniform standards of qualification then applicable with respect to all applicants for a CREAM franchise including, but not limited to net worth, financial strength, business experience, profile fit and other relevant business considerations;

(2) As of the effective date of the transfer, all obligations of Franchisee under all written contracts and agreements between Franchisee and Franchisor, its affiliates, or its approved/designated suppliers are fully satisfied and Franchisee is not in default thereunder;

(3) A transfer fee in an amount equal to $7,500 is paid to Franchisor at least thirty days prior to the effective date of the transfer to cover Franchisor's costs in evaluating and ensuring training of the proposed transferee, as well as effecting the transfer;

(4) The transferee shall sign and agree to be bound by the then-current form of franchise agreement (and other ancillary agreements, if any);

(5) The proposed transferee attends and completes all segments of the training program to Franchisor's satisfaction and the transferee pays Franchisor its then-current training fee for such initial training program;

(6) Except to the extent limited by applicable law, Franchisee, its owner(s), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates) have executed a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, directors, officers, employees and agents;

(7) All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated suppliers and vendors, are satisfied;

(8) Franchisee (and Franchisee's principals if Franchisee is a partnership, corporation or limited liability company), and the members of their respective families must comply with the post-termination provisions of this Agreement;

(9) The transferee must obtain, within the time limits set by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Business;

(10) To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

(11) The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

(12) Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of franchise disclosure document;

(13) Franchisor's approval of the transfer shall not constitute a waiver of any claims Franchisor may have against Franchisee;

(14) Franchisor may disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and the Business that Franchisee supplied to Franchisor;

(15) Franchisee is responsible for payment of all commissions or other monies due from the sale of the Business if: (i) Franchisee listed the Business with a broker; or (ii) transferee is referred to Franchisor by a broker lead referral network or otherwise; and

(16) Franchisor approves the material terms and conditions of the assignment, which approval shall not be unreasonably withheld, including particularly a determination that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Business by the proposed transferee in compliance with the terms and conditions of this Agreement.

(b) Restriction. In no event shall Franchisor approve of the transfer of this Agreement or the Business granted hereunder prior to the opening of the Business as required under this Agreement.

12.2 Death or Disability; Interim Management by Franchisor.

(a) Transfer of Interest. In the event of the death or disability of Franchisee or of a principal owner of Franchisee, or if Franchisee is a corporation, partnership or limited liability company, or the owner of a majority interest therein, the executor, administrator, conservator or other personal representative of such person shall transfer his interest within a reasonable time, not to exceed one hundred twenty (120) days from the date of death or disability, to a third party approved by Franchisor. The term "disability" means a mental or physical disability, impairment or condition that prevents or is reasonably expected to prevent Franchisee or its principal owner from supervising management and operation of the CREAM Business for thirty (30) or more consecutive days. This transfer, including, without limitation, transfers by devise or inheritance, shall be subject to all of the terms and conditions contained in this Section and the following:

(b) Interim Management by Franchisor. If after death or disability of Franchisee or its principal owner, the CREAM Business is not being managed and operated by a competent and trained manager, or Franchisor has exercised its option to purchase pursuant to Section 14.02, or any other time when Franchisor is concerned that continued operation by Franchisee may harm the Marks or System, Franchisor is authorized, but is not obligated, to immediately assume management of the Business until an approved and trained transferee can assume operations. Revenues from operation of the Business during the period of interim management by Franchisor shall be used by Franchisor to meet any and all expenses of the Business including, without limitation, the weekly compensation, travel and living expenses of any of Franchisor's employees or designees. Operation of Franchisee's Business during any period of management by Franchisor pursuant to this subparagraph (a) shall be for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable for any debts, obligations or losses incurred by the Business during any period in which it is managed by Franchisor. If Franchisor takes over the management of the Business, Franchisor reserves the right to pay itself a reasonable management fee through the Business' funds for the provision of such management services.

12.3 Right of First Refusal.

(a) Exercise. In the event Franchisee desires to make any sale, assignment or other transfer referred to in Section 12.01, Franchisee shall first obtain a bona fide, executed written offer from responsible and fully disclosed purchaser(s) and submit an exact copy of this offer to Franchisor. Franchisor shall have the right, exercisable by written notice delivered to Franchisee, to accept this offer on equal terms and price at any time within thirty (30) days following receipt by Franchisor of the exact copy of the offer. If Franchisor does not exercise its right of first refusal, Franchisee may complete the proposed sale, assignment or other transfer pursuant to and on the terms of the offer, and in compliance with all provisions of Section 12.01. In the event the sale, assignment or other transfer is not completed within sixty (60) days after delivery of the offer to Franchisor or there is a material change in the terms of the sale, assignment or other transfer, Franchisor shall again have a right of first refusal herein provided.

(b) Transfer of Major Interest. In the event Franchisee desires to make any sale, assignment or other transfer of more than 50% of the capital stock or of the partnership interest of a corporation, partnership or other entity organized and wholly owned by Franchisee to which this Agreement has been assigned pursuant to Section 12.04, then Franchisor shall also have the option to purchase not only the interest being transferred but also the remaining interest so that Franchisor shall have a right of first refusal to purchase 100% of the ownership interest. The value of this 100% interest shall be determined on a basis proportionate to the price of the interest initially offered. For example, if a 60% interest is being sold by Franchisee for $1,000,000 then the value of the 100% interest would be $1,666,666.

12.4 Assignment to Franchisee Entity.

It is understood that Franchisee may assign and delegate this Agreement and Franchisee's rights and obligations hereunder to a corporation, partnership or limited liability company ("LLC") organized by Franchisee for that purpose in which Franchisee owns and controls a majority of the equity and voting power of all issued and outstanding stock, general partnership interest or LLC membership interest, and without complying with Sections 12.01 and 12.03, provided that:

(a) All shareholders (or partnership partners or LLC members), are identified to and approved by Franchisor (which written approval shall not be unreasonably withheld); and

(b) The articles of incorporation, articles of partnership, partnership agreement, bylaws, LLC member agreements or other organizational documents of the corporation, partnership or LLC shall recite that the issuance and assignment of any interest therein is restricted by the terms of Sections 12.01 and 12.03 of this Agreement, and in the case of a corporation all issued and outstanding stock certificates of the corporation shall bear a legend reflecting or referring to the restrictions of Sections 12.01 and 12.03 in a form satisfactory to counsel for Franchisor; and

(c) Each shareholder, officer, director or partner of Franchisee shall execute an agreement provided by Franchisor undertaking to be bound jointly and severally by the provisions of this Agreement; and

(d) Franchisee shall furnish to Franchisor at any time upon request, in form as Franchisor may require, a list of all shareholders, directors, officers, partners or LLC members of Franchisee reflecting their respective interests in and positions with Franchisee; and

(e) The corporation, partnership or LLC shall at no time engage, directly or indirectly, in any similar business activity other than those directly related to the operation of Franchisee's Business, pursuant to all terms and conditions of this Agreement; and

(f) Franchisor shall be given written notice of the assignment and delegation, and upon compliance with the foregoing, the corporation, partnership or LLC shall have all of said rights and obligations, and the term "Franchisee" as used herein shall refer to the corporation, partnership or LLC.

12.5 Consent Does Not Constitute Waiver.

Franchisor's consent to an assignment or transfer of any interest subject to the restrictions of this Article 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 or conditions hereof by transferee.

12.6 Transfer or Assignment By Franchisor.

This Agreement is fully assignable by Franchisor in whole or in part and shall inure to the benefit of any assignee or other legal successor to the interest of Franchisor herein.

ARTICLE 13. TERMINATION

13.1 Automatic Termination.

This Agreement shall automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

(1) If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Business.

(2) If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for Franchisee or the Business without Franchisee's consent, and the appointment is not vacated within sixty (60) days.

(3) If Franchisee purports to sell, transfer or otherwise dispose of Franchisee or any interest in the Business in violation of Section 12 hereof.

13.2 <u>With Notice and Without Opportunity to Cure</u>.

Franchisor has the right to terminate this Agreement upon notice without providing Franchisee an opportunity to cure for any of the following breaches or defaults:

(1) If Franchisee or Franchisee's principals are convicted of or plead guilty or no contest to any felony, or take part in any criminal misconduct relevant to the operation of Franchisee's Business.

(2) If Franchisee or Franchisee's principal owners commit any fraud or misrepresentation in the operation of the Business.

(3) If Franchisee or Franchisee's principals make any misrepresentation or omission in connection with Franchisee's franchise application, including but not limited to any financial misrepresentation.

(4) If Franchisee fails to successfully complete initial training as provided in Section 8.01 hereof.

(5) If Franchisor sends Franchisee two (2) or more written notices to cure pursuant to Sections 13.03 or 13.04 hereof in any twelve (12) month period.

(6) If Franchisee or Franchisee's principals materially breach any other agreement with Franchisor or any of Franchisor's affiliates or the Lease for the Premises, or threaten any material breach of any such agreement or Lease, and fail to cure such breach within any permitted period for cure.

(7) If Franchisee or Franchisee's principals materially violate any provision hereof pertaining to Marks or Confidential Information or misuse the Marks or Confidential Information.

(8) If Franchisee violates any applicable food preparation, health, safety, or sanitation law, ordinance or regulation, or operate the Business in a manner that presents a health or safety hazard to customers, or the general public.

(9) If Franchisee violates the in-term restrictive covenant contained in Section 15.01 hereof.

(10) If a levy of writ of attachment or execution or any other lien is placed against Franchisee or any of Franchisee's principals or any of their assets which is not released or bonded against within thirty (30) days.

(11) If Franchisee or any of Franchisee's principals become insolvent.

(12) If Franchisee voluntarily or otherwise abandons the Business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue the Business in accordance with the terms of this Agreement and shall apply in any event Franchisee fails to operate the Business as a System Business for a period of two (2) or more consecutive days without Franchisor's prior written approval.

(13) If Franchisee offers any unauthorized and unapproved products or services at or from the Business.

(14) If Franchisee orders or purchases supplies, signs, services, furnishings, fixtures, equipment or inventory from any unapproved supplier.

(15) If Franchisee misuses or makes unauthorized use of Franchisor's Proprietary Software Program, servers, email systems and Franchisor's social media sites, if any.

(16) If Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fails to adhere to the requirements of Section 9 hereof.

(17) If Franchisee fails, within fifteen (15) days after notification of non-compliance by federal, state or local government authorities, to comply with any law or regulation applicable to the Business.

(18) If any government action is taken against Franchisee that results in any obligation upon Franchisor which in Franchisor's sole judgment is uneconomical, not in the best interests of Franchisor, or would result in Franchisor having an unintended relationship or obligation.

(19) If Franchisee fails to comply with the provisions of Section 18.09 hereof.

(20) If Franchisee takes for Franchisee's own personal use any assets or property of the Business, including employee taxes, FICA, insurance or benefits.

(21) If there are insufficient funds in Franchisee's bank account to cover a check or EFT payment to Franchisor three (3) or more times within any twelve (12) month period.

(22) If Franchisee fails to attain a passing score on any Survey or secret shopper four (4) or more times within any twelve (12) month period.

13.3 <u>Upon 15 Days' Notice to Cure</u>.

Franchisor has the right to terminate this Agreement if any of the following defaults remain uncured after providing notice and expiration of the fifteen (15) day cure period:

(1) If Franchisee fails to pay as and when due any sums owed to Franchisor, any of Franchisor's affiliates, or any of Franchisor's designated suppliers.

(2) If any audit reveals that Franchisee has understated Franchisee's Royalty or advertising payments, or Franchisee's local advertising expenditures, by more than two percent (2%), or if Franchisee has failed to submit timely reports and/or payments for any two (2) reporting periods within any twelve (12) month period, as described in Section 10 hereof.

(3) If Franchisee fails to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that is erroneously remitted to Franchisee.

(4) If Franchisee fails to maintain sufficient levels of inventory to adequately meet consumer demand.

(5) If Franchisee fails to commence operations of Franchisee's Business within the time prescribed in Section 6.04 hereof.

(6) If Franchisee fails to maintain the prescribed days or hours of operation at the Business.

(7) If Franchisee fails, in Franchisor's sole discretion, to personally supervise the day-to-day operation of the Business or fails to employ a sufficient number of qualified, competent trained personnel as Franchisor requires from time to time.

(8) If Franchisee fails to maintain the strict quality controls reasonably required by this Agreement and/or the Manual.

(9) If Franchisee conducts itself in a manner that, although not criminal, reflects adversely on the System, the Marks, or the services or products offered through the System.

(10) If Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Business.

13.4 <u>Upon 30 Days' Notice to Cure</u>.

Franchisor has the right to terminate this Agreement after providing notice and a thirty (30) day cure period if Franchisee fails to perform or comply with any one or more of the terms or conditions of this Agreement or any ancillary agreements between Franchisee and Franchisor or Franchisor's affiliates.

13.5 **<u>Step In Rights</u>**.

In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights Franchisor may have against Franchisee, upon a failure to cure any default within the applicable time period (if any) or in the event Franchisor determines that the condition or operation of the CREAM Business presents a threat to public safety or health or is damaging the goodwill associated with the Marks, Franchisor has the right, but not the obligation, to enter upon the Business premises and exercise complete authority with respect to the operation of the Business until such time as Franchisor determines, in Franchisor's sole discretion, that the default has been cured and Franchisee is otherwise in compliance with this Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor for all reasonable costs and overhead, if any, incurred in connection with Franchisor's operation of the Business including, without limitations, costs of personnel for supervising and staffing the Business and their travel and lodging accommodations and must pay Franchisor a management fee of 10% of the Business' Gross Sales during Franchisor's time period as manager. If Franchisor undertakes to operate the Business pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Franchisor's operation of the Business. Further, if Franchisee is a partnership and there is a dispute between the partners of Franchisee which has resulted in any legal filings or legal action, Franchisor reserves the right to use the step in rights outlined in this Section.

13.6 **<u>Nonwaiver</u>**.

Franchisor's delay in exercising or failing to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due hereunder shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

ARTICLE 14. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION.

14.1 **<u>Franchisee's Duties on Termination or Expiration</u>**.

In the event of any termination of this Agreement, whether by reason of action by Franchisee or Franchisor as above provided, or as elsewhere provided in this Agreement, or by the expiration of the term hereof, Franchisee must, at Franchisee's cost and expense:

(1) Cease immediately all operations under this Agreement;

(2) Pay Franchisor immediately all unpaid fees and pay Franchisor, Franchisor's affiliates, and Franchisor's designated suppliers and vendors all other monies owed;

(3) Discontinue immediately the use of the Marks, including all interior and exterior signs bearing the Marks;

(4) Immediately return the Manual to Franchisor, along with all other manuals and Confidential Information Franchisor loaned to Franchisee, and immediately and permanently cease use of any Confidential Information;

(5) Immediately cease using all telephone numbers and listings, facsimile numbers and listings, and Internet listings used in connection with the operation of the Business and direct the applicable company to transfer all such numbers and listings to Franchisor or Franchisor's designee pursuant to the Conditional Assignment of Telephone Numbers attached hereto as Exhibit 4 or, if Franchisor directs, to disconnect the numbers and delete the listings;

(6) Immediately vacate the Premises if Franchisor exercises Franchisor's rights pursuant to the Collateral Assignment of Lease attached hereto as Exhibit 3;

(7) Promptly surrender all stationery, printed matter, signs, advertising materials and other items containing the Marks, and all items which are a part of the trade dress of the System, as Franchisor directs;

(8) Cease to hold itself out as Franchisor's franchisee;

(9) Take such action as shall be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Mark Franchisor licensed to Franchisee, and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) calendar days after the termination, expiration or transfer of this Agreement;

(10) Permit Franchisor to make final inspection of Franchisee's financial records, books, and other accounting records at any time within six (6) months of the effective date of termination, expiration, or transfer;

(11) Comply with the post-termination covenants set forth in Section 15 hereof, all of which shall survive the transfer, termination or expiration of this Agreement;

(12) Cease to use in advertising or in any other manner, any methods, procedures or techniques associated with Franchisor or the System; and

(13) Execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section 14.

14.2 Franchisor's Options On Termination or Expiration.

(a) Exercise. Upon termination or expiration and non-renewal of this Agreement, Franchisor shall have the following options, exercisable by written notice to Franchisee (indicating which option(s) Franchisor intends to exercise) at any time within thirty (30) days from the date of termination hereof to: (i) require Franchisee assign to Franchisor the leasehold interest of the Premises (or, if assignment is prohibited, a sublease for the full remaining term and on the same terms as Franchisee's lease) in consideration of Franchisor's assumption of the leasing obligations thereunder; (ii) to purchase from Franchisee all equipment, furnishings, fixtures and other physical assets owned by Franchisee and used in the operation of the Business for the same price paid by Franchisee less depreciation taken (i.e. book value) as of the date of Franchisor's written notice; and (iii) to purchase from Franchisee all inventory of the Business at Franchisee's cost. The purchase price for any purchased items shall not include any payment for goodwill or other intangibles, and shall be payable at the closing of the purchase. For purposes of this paragraph, "book value" means the amount Franchisee actually paid for the personal property less depreciation (calculated by using the straight-line depreciation method on a five (5) year depreciation schedule, irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). Notwithstanding the foregoing, to the extent that Franchisor exercises its right to purchase any personal property that is subject to a lease or finance agreement, the purchase price of such personal property shall equal the amount paid by Franchisee to date under the lease or finance agreement, as applicable. Franchisor shall be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. The closing shall take place at a time designed by Franchisor within ninety (90) calendar days after Franchisee receives Franchisor's notice of exercise of its purchase option or options. If Franchisor exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Business, or Franchisor may require that Franchisee close the Business during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase personal property as herein described. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise. Franchisor shall have the unrestricted right to assign any of the options in this Section.

(b) Exclusions. Franchisor may exclude from the personal property purchased hereunder cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Business's operation or that Franchisor has not approved as meeting standards for the Business.

14.3 Transfer Contact Information.

Franchisee shall relinquish and take all steps necessary and hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact to transfer to Franchisor all right, title and interest in all or any of Franchisee's contact information, including telephone numbers, fax numbers, pager numbers, cellular phone numbers, emails, online profiles, other web- based contact information and any listing, and advertising privileges concurrent therewith, relating in any way to the Business.

14.4 Rights Not Exclusive.

The foregoing rights of Franchisor upon termination by reason of breach or default hereunder shall not be exclusive, but shall be in addition to and not in lieu of any other rights available to Franchisor under the terms hereof or at law or in equity. Termination of this Agreement under any circumstances shall not abrogate, impair, release, or extinguish any debt, obligation, or liability of Franchisee which may have accrued hereunder, including without limitation any debt, obligation, or liability which was the cause of termination. All covenants and agreements of Franchisee that by their terms or by reasonable implication are to be performed, in whole or in part, after the termination of this Agreement, shall survive termination.

14.5 Damages, Costs, and Expenses.

In the event of termination for any default by Franchisee, Franchisee will promptly pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation will give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of Franchisee's personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Business. In addition to any other remedy available to Franchisor under this Agreement or applicable law, Franchisor shall be entitled to liquidated damages in the amount of One Hundred Dollars ($100) per day for each day Franchisee fails to comply with the provisions of Section 14.1(3) hereof.

ARTICLE 15. COVENANTS AGAINST COMPETITION

Franchisee acknowledges that as a member of the System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore to protect Franchisor and all Franchisor's franchisees, Franchisee agrees as follows:

15.1 During the Term of This Agreement.

During the term of this Agreement, neither Franchisee, Franchisee's officers, directors, principals, or manager, nor any member of the immediate family of Franchisee or Franchisee's officers, directors, principals, or manager may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(1) Own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in ice cream or frozen dessert shop, bakery, café, or dessert shop primarily serving ice cream, frozen yogurt, cookies and other baked goods, or any other business offering products and services offered or authorized for sale by System franchisees (a "Competing Business"); provided, however, that this Section does not apply to Franchisee's operation of any other CREAM Business;

(2) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

(3) Divert or attempt to divert any business or customer or prospect of the 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 or the System.

15.2 After the Term of This Agreement.

(a) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, Franchisee's officers, directors, or principals, nor any member of the immediate family of Franchisee or Franchisee's officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business that is competing in whole or in part with Franchisor by granting franchises or licenses to operate a Competing Business.

(b) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, Franchisee's officers, directors, or principals, nor any member of the immediate family of Franchisee or Franchisee's officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(i) Own, maintain, engage in, be employed by, or have any interest in any Competing Business located (1) at the Premises, (2) within the Territory granted to Franchisee hereunder, or (3) within a radius of thirty (30) miles of the perimeter of (a) the Territory being granted hereunder or (b) any other territory licensed by Franchisor as of the date of expiration, termination or transfer of this Agreement; or

(ii) Solicit business from customers of Franchisee's former Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any employees of Franchisor, its affiliates or System franchisees to cease their employment with Franchisor, its affiliates or System franchisees.

15.3 Intent and Enforcement.

It is the parties' intent that the provisions of this Section 15 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 15, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee agrees that in the event of the actual or threatened breach of this Section 15, Franchisor's harm will be irreparable, and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 15 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 15 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation of this Section 15 shall be tolled during any default under this Section. It is understood and agreed by Franchisee that the purpose of this covenant is not to deprive Franchisee of means of livelihood and will not do so, because Franchisee earned a livelihood before entering into this Agreement, has the skills to do so in the future and that Franchisee will not be restricted from engaging in any business outside the scope of the Business herein; and that the purpose is to protect the goodwill and interests of Franchisor, Franchisor's System and Network of CREAM franchises.

15.4 Employees.

Franchisee shall ensure that Franchisee's principals, manager, other key employees and members of their immediate families who have access to the Confidential Information execute a Confidentiality and Noncompete Agreement, in the form attached hereto as Exhibit 5, or as

Franchisor, in Franchisor's sole discretion, otherwise prescribes. Franchisee must furnish Franchisor with a copy of each executed agreement.

15.5 <u>No Defense</u>.

Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 15. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) which Franchisor incurs in connection with the enforcement of this Section 15.

ARTICLE 16. DISPUTE RESOLUTION.

16.1 <u>Negotiation</u>.

Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's President and/or Chief Executive Officer, after providing notice as set forth in Section 16.06 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

16.2 <u>Mediation</u>.

At Franchisor's option, all claims or disputes between Franchisee and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section 16.01 above, must be submitted first to mediation, in or near San Mateo County, California under the auspices of the American Arbitration Association ("AAA"), in accordance with the AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and Franchisor and Franchisee shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of this Agreement.

(a) The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

(i) Any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information;

(ii) Any claims pertaining to or arising out of any warranty issue; or

(iii) Any of the restrictive covenants contained in this Agreement.

16.3 Selection of Venue.

The parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in San Mateo County, California and the jurisdiction and venue of the United States District Court for the Northern District of California. Franchisee acknowledges that this Agreement has been entered into in the State of California, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Millbrae, California. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of California set forth above. Nothing contained in this Agreement shall prevent Franchisor from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests.

16.4 Third Party Beneficiaries.

Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation provision set forth in this Section 16, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Franchisee.

16.5 Prior Notice of Claims.

As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

16.6 No Right to Offset.

Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

16.7 Injunctive Relief.

Nothing in this Agreement shall prevent Franchisor from seeking to obtain injunctive relief, without posting a bond, against threatened conduct that will cause Franchisor loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions. If injunctive relief is granted, Franchisee's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Franchisee expressly waives all claims for damages Franchisee incurred as a result of the wrongful issuance.

16.8 Limitation of Action.

Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

(a) Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

16.9 Waiver of Punitive Damages.

Franchisee hereby waives, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

16.10 WAIVER TRIAL BY JURY.

THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, OPERATION OF THE FRANCHISED BUSINESS AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY PRODUCTS OR SERVICES.

ARTICLE 17. REPRESENTATIONS.

17.1 <u>No Authority</u>.

NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE FRANCHISOR EXCEPT FRANCHISOR'S AUTHORIZED OFFICER BY A WRITTEN DOCUMENT. FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY FRANCHISOR OR ON FRANCHISOR'S BEHALF WHICH HAVE LED FRANCHISEE TO ENTER INTO THIS AGREEMENT. FRANCHISEE UNDERSTANDS THAT WHETHER FRANCHISEE SUCCEEDS AS A FRANCHISEE IS DEPENDENT UPON FRANCHISEE'S EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF FRANCHISEE'S EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND FRANCHISOR'S CONTROL OR INFLUENCE. FRANCHISEE FURTHER UNDERSTANDS THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT FRANCHISOR HAS MADE NO REPRESENTATION THAT FRANCHISEE WILL DO AS WELL AS ANY OTHER FRANCHISEE.

17.2 <u>Opportunity for Review by Franchisee's Advisors</u>.

FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS RECOMMENDED, AND THAT FRANCHISEE HAS HAD THE OPPORTUNITY TO OBTAIN, REVIEW OF THIS AGREEMENT AND FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT BY FRANCHISEE'S LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION.

17.3 <u>Execution of Agreement</u>.

EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF FRANCHISEE IS A PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY WARRANTS TO FRANCHISOR, BOTH INDIVIDUALLY AND IN HIS OR HER CAPACITY AS PARTNER OR OFFICER, THAT ALL OF THE PARTNERS OF THE PARTNERSHIP, ALL OF THE SHAREHOLDERS OF THE CORPORATION OR ALL OF THE MEMBERS/MANAGERS OF THE LIMITED LIABILITY COMPANY, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER INTERESTS IN THE PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY.

ARTICLE 18. ADDITIONAL LIMITATIONS AND PROVISIONS.

18.1 <u>Independent Status</u>.

This Agreement and the activities pursuant hereto do not and will not be deemed to create any relationship between Franchisor and Franchisee or any other party of agency, partnership, joint venture or employment, or any other relationship except that of franchisor and franchisee or except when this Agreement expressly authorizes Franchisor to act as attorney-in-fact for Franchisee in specified circumstances. Franchisor shall have no right to control any employees of Franchisee, including the terms and conditions of their employment. Franchisee is and shall be solely an independent contractor and shall at no time act or represent itself to be acting in any other capacity. Without limiting the foregoing, nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name or Marks or any part thereof, or be so similar thereto so as to be in any way misleading; and Franchisee shall otherwise comply with the provisions of Section 5. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractor, nor vice versa.

18.2 Whole Agreement; Amendments; Construction.

This Agreement, together with the Franchise Disclosure Document (including all Exhibits and State Addenda) attached as Exhibit 2, contains the entire understanding of the parties, except for such additional agreements and understandings as may, concurrently herewith or hereafter be set forth in written agreements executed by both parties hereto. This Agreement shall be effective only when executed by a duly authorized officer of Franchisor. Subject to Franchisor's right to modify the Manual as provided herein, no amendment or addition to this Agreement shall be effective unless in writing, executed by a duly authorized officer of Franchisor and by Franchisee. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of the sections or paragraphs. This Agreement shall be executed in multiple copies, each of which shall be deemed an original. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

18.3 Severability; Additional Assurances.

Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, that provision shall be deemed restricted in application to the extent required to render it valid and the remainder hereof shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of the invalid, illegal or unenforceable provision. If any of the provisions of this contract are inconsistent with applicable state law, then the state law shall apply. Each party agrees to execute and deliver to the other any further documents that may be reasonably required to fully effectuate the provisions hereof. Although printed provisions of this Agreement were prepared by Franchisor, this Agreement shall not be construed either for or against Franchisor or Franchisee, but shall be construed in accord with the general tenor of the language to reach a fair and equitable result.

18.4 Notices.

All notices required or permitted hereunder shall be in writing, shall be deemed given when received, and shall be personally delivered to or sent by registered or certified mail, return receipt requested, or by electronic communication including email, addressed as follows:

To Franchisor: CREAM, Inc.
1799 El Camino Real
Millbrae, CA 94030
Attn: Jimmy Shamieh
Email: jimmy@creamnation.com

To Franchisee: ______________________________
____
____
____

Either party may change the address for notices by written notice to the other in accordance with the foregoing.

18.5 Successors and Assigns; Governing Law; Jurisdiction

Subject to the above provisions concerning assignments and transfers by Franchisee, this Agreement shall inure to the benefit of and be binding upon the successors, assigns and legal representatives of the parties hereto.

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et. seq.) or other applicable state law, this Agreement shall be construed in accordance with, and governed by, the laws of the State where Franchisor's principal business address is then located (California as of the date this Agreement is signed).

Notwithstanding the foregoing, the parties specifically agree and acknowledge that all claims, causes of actions or disputes related to Franchisee's covenants not to compete set forth in Section 15 of this Agreement, including the interpretation, validity and enforcement thereof, shall be governed by the laws of the state where the CREAM Business is located.

18.6 State Law Applies.

If any provision of this Agreement, including but not limited to its provisions for transfer, renewal, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which Franchisee's Business is located, then the valid law or regulation of that state applicable to the franchise shall supersede any provision of this Agreement that is less favorable to Franchisee.

18.7 Additional Documentation.

Franchisee must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor reasonably may require in order to effectuate the transactions contemplated herein. In the event that Franchisee fails to comply with the provisions of this Section, Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact to execute all such documents on Franchisee's behalf.

18.8 Anti-Terrorist Activities.

Franchisee certifies that neither Franchisee, nor Franchisee's owners, principals, employees nor anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (the "Annex"). Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee's owners, principals, employees, or anyone associated with Franchisee being listed in the Annex. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's owners or principals are not otherwise in violation of any of the Anti- Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in Section 6.19 of this Agreement pertain to Franchisee's obligations under this Section 18.09. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, Franchisee's owners, principals or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's affiliates in accordance with the terms of Section 13.02(s) of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts or acts of war.

18.9 No Attorney Fees

If Franchisee is in breach or default of any monetary or nonmonetary material obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of Franchisee's personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Business. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

18.10 Personal Guaranty.

If Franchisee is a corporation, or subsequent to execution hereof, Franchisee assigns this Agreement to a corporation, all shareholders of Franchisee's outstanding shares and their spouses (or if Franchisee is a partnership, or subsequent to execution hereof, Franchisee assigns this Agreement to a partnership, all partners and their spouses, or if Franchisee is a limited liability company, or subsequent to execution hereof Franchisee assigns this Agreement to a limited liability company, all members and managers and their spouses) hereby personally and unconditionally guarantee without notice, demand, or presentment, the payment of all of Franchisee's monetary obligations under this Agreement, and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions of Franchisee's activities upon transfer, termination, or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such personal guarantors and their spouses must execute a continuing personal guarantee in the form attached hereto as Exhibit 2.

ARTICLE 19. ACKNOWLEDGEMENTS.

19.1 Independent Investigation.

Franchisee acknowledges that Franchisee has conducted an independent investigation of the Business contemplated by this Agreement and recognizes that it involves business risks which make the success of the venture largely dependent upon Franchisee's business abilities and efforts. Franchisee acknowledges that Franchisee has been given the opportunity to clarify any provision of this Agreement that Franchisee may not have initially understood and that Franchisor has advised Franchisee to have this Agreement reviewed by an attorney.

19.2 No Guarantees or Representations of Earnings.

Franchisee understands that Franchisor and any of Franchisor's representatives and/or agents with whom Franchisee has met have not made and are not making any guarantees or representations as to the extent of Franchisee's success in operating a Business, and have not and are not in any way representing or promising any specific amounts of earnings or profits associated with Franchisee's operation of the Business.

19.3 Receipt of Disclosure Document.

Franchisee acknowledges that this Agreement and Franchisor's Franchise Disclosure Document, or "FDD", have been in Franchisee's possession for at least fourteen (14) days before Franchisee signed this Agreement and before Franchisee's payment of any monies to Franchisor, refundable or otherwise, and that any material changes to this Agreement were memorialized in writing in this Agreement for at least seven (7) days before Franchisee signed this Agreement.

19.4 No Personal Liability.

Franchisee agrees that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee for any reason. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

FRANCHISEE:

____
(Individual, Partnership or Corporation Name)

By: ____________________________________

Title: __________________________________

By: ____________________________________

Title: __________________________________

PERSONAL GUARANTORS

____

____

CREAM, INC.

By: ____________________________________

Title: __________________________________

EXHIBIT 1
TO CREAM, INC.
FRANCHISE AGREEMENT SITE

SELECTION ADDENDUM

SITE SELECTION ADDENDUM

CREAM, Inc. ("Franchisor") and ______________________________ ("Franchisee"), have this _____ day of ___________, 20____, entered into a Franchise Agreement for the operation of a CREAM business using Franchisor's Marks and System (the "Business") and desire to supplement its terms, as set forth below. The parties therefore agree as follows:

1. Within 7 months after the execution of the Franchise Agreement, Franchisee shall obtain a site, at Franchisee's expense, for the CREAM Business franchised under the Franchise Agreement, which site Franchisor shall approve as hereinafter provided. The site shall be within the following site selection territory:

____
_________________________________(the "Site Selection Territory").

2. Franchisee's failure to obtain a site for the Business in the Site Selection Territory within the time required in Paragraph 1 shall constitute a default under the Franchise Agreement and this Site Selection Addendum. Time is of the essence.

3. Prior to Franchisee's acquisition by lease or purchase of a site for the Business, Franchisee shall submit to Franchisor, in the form Franchisor specifies, a completed site review form, such other information or materials as Franchisor may reasonably require, and a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the proposed site. Recognizing that time is of the essence, Franchisee must submit a proposed site, together with the information and materials required by this Paragraph 3, to Franchisor for Franchisor's approval within 30 days after execution of this Site Selection Addendum. Franchisor shall have 30 days after receipt of such information and materials from Franchisee to approve or disapprove, in Franchisor's sole discretion, the site as a location for the Business. No proposed site shall be deemed approved unless Franchisor has expressly approved it in writing.

4. Franchisor shall furnish to Franchisee such site selection guidelines, consultation and on-site evaluation as Franchisor deems advisable as part of Franchisor's evaluation of Franchisee's request for site approval. Franchisor shall not, however, provide on-site evaluation for any proposed site prior to Franchisor's receipt of the information and materials required by Paragraph 3 hereof. If Franchisor deems on-site evaluation necessary and appropriate, Franchisor shall conduct one on-site evaluation at Franchisor's cost. For each additional on-site evaluation (if any), Franchisee shall reimburse Franchisor for Franchisor's reasonable expenses including, without limitation, the costs of travel, lodging, and meals.

5. If Franchisee will be occupying the Business premises under a lease, Franchisee shall, prior to the execution of the lease, submit the lease to Franchisor for Franchisor's written approval.

6. Franchisee shall furnish Franchisor a copy of any executed lease within 10 days after execution thereof.

7. After Franchisor has approved a site for the Business in writing and Franchisee has acquired the site pursuant to Paragraphs 1-6 hereof, the site shall constitute the Premises referred to in Section 1.01 of the Franchise Agreement.

8. Franchisee hereby acknowledges and agrees that Franchisor's approval of a site does not constitute an assurance, representation or warranty or any kind, express or implied, as to the suitability of the site for the Business or for any other purpose. Franchisor's approval of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for Franchisor's purposes as of the time of the evaluation. Both parties to this Site Selection Addendum acknowledge that the application of certain criteria that has been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change thereby altering the potential of a site. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that Franchisee's acceptance of a franchise for the operation of the Business at the site is based on Franchisee's own independent investigation of the suitability of the site.

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

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum on the day and year first above written.

CREAM, INC.

By: ______________________________

Title: ______________________________

FRANCHISEE

By: ______________________________

Title: ______________________________

EXHIBIT 2
TO CREAM, INC.
FRANCHISE AGREEMENT

PERSONAL GUARANTY

PERSONAL GUARANTY

NOTE:IF FRANCHISEE IS A CORPORATION, EACH OF FRANCHISEE'S SHAREHOLDERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF FRANCHISEE'S GENERAL PARTNERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF FRANCHISEE'S MEMBERS AND MANAGERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING.

ARTICLE I
PERSONAL GUARANTY

The undersigned persons (individually and collectively "you") hereby represent to CREAM, Inc. ("Franchisor") that you are all of the shareholders of the franchisee, or all of the general partners of the franchisee, or all of the members and managers, or the spouse of any such shareholder, general partner, or member or manager of ___________________ ("Franchisee"), as the case may be. In consideration of the grant by Franchisor to Franchisee as herein provided, each you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing CREAM, Inc. franchise agreement (the "Franchise Agreement"), and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the transfer fee provided for in said Franchise Agreement, if applicable, and without otherwise complying with the transfer provisions of the foregoing Franchise Agreement. You agree to be bound by the dispute resolution procedures set forth in the Franchise Agreement. You further agree to be bound by the in-term and post-term covenants against competition of the aforesaid Franchise Agreement.

ARTICLE II
CONFIDENTIALITY

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers its trade secrets and confidential information, including but not limited to proprietary recipes (if applicable), standards and specifications for food preparation, standards and specifications for the Build out of a Business, information about proprietary merchandise, any proprietary software Franchisor may now or in the future create, and the operations manual ("Confidential Information"). You shall not, during the term of the Franchise Agreement and this Guaranty or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information including, without limitation, trade secrets; price marketing mixes related to the sale of food and beverage items and any other goods or services offered or authorized for sale by System franchisees; Franchisor's copyrighted materials; and methods and other techniques and know-how concerning the of operation of the Franchised Business which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation of the Business. You also acknowledge and agree that certain customer information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers (subsections (i) through (iv) collectively referred to as "Customer Lists"), and (v) sources of suppliers, also constitute the trade secrets and confidential proprietary information of Franchisor. Any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential, will be deemed Confidential Information for purposes of this Agreement.

ARTICLE III
NON-COMPETITION

You acknowledge that as a participant in Franchisor's franchise system, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore to protect Franchisor and all Franchisor's franchisees, you agree as follows:

1) **During the Term of the Franchise Agreement and this Guaranty.** During the term of the Franchise Agreement and this Personal Guaranty, neither your, nor your principals, officers, or directors, nor any members of your immediate family or the immediate family of your principals, officers, or directors may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

a) Own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any ice cream shop, bakery, café, or dessert shop primarily serving ice cream, cookies and other baked goods, (a "Competing Business"); provided, however, that this Section does not apply to your operation of any other Franchised Business under the CREAM Marks and System;

b) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

c) Divert or attempt to divert any business or customer 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 or the System.

2) After the Term of The Franchise Agreement and this Guaranty.

a) For a period of 2 years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in granting franchises or licenses to operate a Competing Business at the time the Franchise Agreement is terminated or otherwise expires and is not renewed.

b) For a period of 2 years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(i) Own, maintain, engage in, be employed by, or have any interest in any Competing Business at the time of termination or expiration and nonrenewal (i) at the Business; (ii) within the territory (the "Territory"); or (iii) within a radius of 10 miles of the perimeter of (a) the Territory being granted hereunder or (b) any other Territory licensed by Franchisor as of the date of expiration or termination of this Agreement;

(ii) Solicit business from customers of Franchisee's former Franchised Business;

(iii) Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

(iv) Solicit any of Franchisor's employees, or the employees of Franchisor's affiliates or any other System franchisee, to discontinue employment.

3) **Intent and Enforcement**. It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that you have previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living. You further acknowledge and agree that the time

limitation of this Article III shall be tolled during any default under the Franchise Agreement and this Guaranty.

ARTICLE IV
MISCELLANEOUS

1) **Acknowledgment**. You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use Franchisor's proprietary marks or its system.

2) **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of California.

3) **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Personal Guaranty.

4) **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor arising out of, or in any way relating to, this Personal Guaranty or the Franchise Agreement or any other agreement by and between you and Franchisor, or any of the parties' respective rights and obligations arising from such agreements must be submitted first to mediation, in San Mateo County, California, under the auspices of the American Arbitration Association ("AAA"), in accordance with the AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. You may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and the parties shall share the cost of mediator. This agreement to mediate at our option shall survive the termination or expiration of the Franchise Agreement.

a) The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 4 if such controversy, dispute or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

(i) Any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information;

(ii) Any claims arising out of or pertaining to any warranty issued; or

(iii) Any of the restrictive covenants contained in this agreement.

5) **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the Franchise Agreement and this Guaranty, and the mediation provisions contained herein, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by you.

6) **Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation or judicial proceeding conducted hereunder.

7) **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation, the parties expressly agree submit to the jurisdiction and venue of any court of general jurisdiction in San Mateo County, California, and the jurisdiction and venue of the United States District Court for the Northern District of California.

8) **Jury Trial Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

9) **Waiver of Punitive Damages.** You waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery shall be limited to actual damages. If any other term of this Personal Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

10) **Limitation on Action.** You agree that no cause of action arising out of or under this Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against Franchisor, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

11) **Attorneys' Fees**. If either party institutes any mediation action or judicial proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Guaranty and the

Franchise Agreement, and Franchisor prevails in such action, you shall be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

12) **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Franchise Agreement shall not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Franchisor's election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13) **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning which renders it valid and enforceable. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

14) **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

15) **Successors**. References to "Franchisor", "the undersigned," or "you" include the respective parties' successors, assigns or transferees.

16) **No Personal Liability**. You agree that fulfillment of any and all of Franchisor's obligations written in this Guaranty or in the Franchise Agreement or based on any oral communications which may be ruled to be binding in a Court of Law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee or you for any reason.

PERSONAL GUARANTORS	**SPOUSES**
__________________________	_______________________________
__________________________	_______________________________
__________________________	_______________________________

EXHIBIT 3
TO CREAM, INC.
FRANCHISE AGREEMENT COLLATERAL

ASSIGNMENT OF LEASE

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ("Assignor") hereby assigns and transfers to CREAM, Inc., a California Corporation, with its principal place of business at 1799 El Camino Real Millbrae, CA 94030 ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit 1 (the "Lease") respecting the premises commonly known as ______________________________ ____________________. This assignment (the "Assignment") is for collateral purposes only and except as specified herein, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

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

Upon a default by Assignor under the Lease or under the franchise agreement for a CREAM Business between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration or termination of the Franchise Agreement or this Agreement, Assignee has the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title or interest in the Lease. Assignor hereby authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than 30 days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

____

Dated:________________________

SIGNED AND SEALED this ____
day of _____________, 20___

____
Notary Public

CONSENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the afore described Lease hereby:

(a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;

(b) Agrees that Assignee has the right, but not the obligation, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice thereof in accordance with paragraph (a) above;

(c) Consents to the foregoing Collateral Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant thereunder, Lessor must recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease; and

(d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who must agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and upon such assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise.

DATED:_________________ **LESSOR:**

____

Name:_________________________

EXHIBIT 4
TO CREAM, INC.
FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF FRANCHISEE'S TELEPHONE NUMBERS, FACSIMILE NUMBERS AND DOMAIN NAMES

CONDITIONAL ASSIGNMENT OF FRANCHISEE'S TELEPHONE NUMBERS, FACSIMILE NUMBERS AND DOMAIN NAMES

1. ______________________________ ("Assignor"), in exchange for valuable consideration provided by CREAM, Inc. ("Assignee"), receipt of which is hereby acknowledged, hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its CREAM Business at Assignor's above-referenced address (the "Assigned Property"). The Assigned Property includes the following:

Telephone Number(s): ______________________________
Facsimile Number(s): ______________________________
Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): ______________________________.

2. The conditional agreement will become effective automatically upon termination or expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company to effectuate this Assignment, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

ASSIGNOR:

BY:____________________

TITLE:__________________

DATE:__________________

CREAM, INC.

BY:____________________

TITLE:_________________

DATE:_________________

EXHIBIT 5
TO CREAM, INC.
FRANCHISE AGREEMENT CONFIDENTIALITY AND
RESTRICTIVE COVENANT AGREEMENT

CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

(for trained employees, shareholders, officers,
directors, general partners, members and
managers and manager of Franchisee)

In consideration of my being an employee of **____________________________** (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that Franchisee has acquired the right from CREAM, Inc. (the "Company") to establish and operate a CREAM business (the "CREAM Business") and the right to use in the operation of the Business the Company's trade names, trademarks and service marks (the "Marks") and the Company's unique and distinctive format and system relating to the establishment and operation of CREAM Businesses (the "System"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and approved premises: **____** (the "Premises").

1. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes customer information, as well as proprietary recipes (if applicable), standards and specifications for food preparation, standards and specifications for the build out of a CREAM Business, information about proprietary merchandise, any proprietary software Franchisor may now or in the future create, the operations manual, trade secrets, price marketing mixes related to the sale of food and beverage items and any other goods or services offered or authorized for sale by System franchisees, Franchisor's copyrighted materials, and methods and other techniques and know-how concerning the of operation of the Business communicated to you or of which you may be apprised by virtue of your employment with Franchisee (the "Confidential Information").

2. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

3. I acknowledge that the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the CREAM, Inc. Operations Manual (the "Manual") and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as an employee of Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by the Company, I shall not, while in my position with Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other ice cream or frozen dessert shop, bakery, cafe, or dessert shop primarily serving ice cream, frozen yogurt, cookies and other baked goods, or any other business offering products and services offered or authorized for sale by System franchisees (a "Competing Business"), except a CREAM Business operating under the System and Marks.

7. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

8. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with Franchisee. I am aware that my violation of this Agreement will cause the Company and Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to Franchisee and the Company, any claim I have against Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. This Agreement shall be construed under the laws of California. The only way this Agreement can be changed is in writing signed by both Franchisee and me.

Signature: ____________________

Name: ____________________

Address: ____________________

Title: ____________________

ACKNOWLEDGED BY FRANCHISEE

By:______________________

Title:____________________

EXHIBIT 6
TO CREAM, INC.
FRANCHISE AGREEMENT

ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION

ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION

Bank Name : ______________________________

ABA# : ______________________________

Acct. No. : ______________________________

Acct. Name : ______________________________

Effective as of the date of the signature below, ________________________ hereby authorizes CREAM, Inc. ("Company") or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchise located at ________________________________ _________________ all fees that the Company may impose under the terms of Franchisee's Franchise Agreement from time to time. Such withdrawals shall occur on a monthly basis, or on such other schedule as Company shall specify in writing. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization shall remain in full force and effect until terminated in writing by Company. _______________________ shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

ATTEST:

____

FRANCHISEE

By:__________________________

Printed Name:_________________

Its:__________________________

EXHIBIT C

DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") entered into this _____ day of _______________, 20__, between: CREAM, Inc., a California corporation with its principal business address at 1799 El Camino Real, Millbrae, California 94030 ("Franchisor"); and (ii) ____, a ____, with its principal business address at ____ ("Developer").

Background

A. As the result of the expenditure of time, effort and money in research and development, Franchisor has developed and has the right to license a method and system ("CREAM System" or "System") for the development and operation of a custom frozen dessert, cookie, and ice cream sandwich shop comprised of distinctive business formats, systems, methods, procedures, designs, layouts and specifications ("CREAM Business"). Franchisor is in the process of developing a network ("CREAM Network" or "Network") of franchises to use the System on a mutually cooperative and interrelated basis.

B. Franchisor grants franchises to be operated under its System and proprietary service mark "CREAM" and its associated distinctive logo as depicted on the cover page above ("Marks"). Franchisor continues to develop, use and control the Marks so that consumer recognition thereof will continue, and Developer agrees to represent the System's high standards of service, quality and appearance.

C. Developer desires to establish a number of CREAM Businesses under the System, within the development area hereinafter set forth, and to use in connection therewith the Marks and System, and provide the custom frozen dessert, cookie, and ice cream sandwich products and services authorized for the CREAM Businesses, as an integral part of Franchisor's Network, and to derive the benefits of Franchisor's reputation, advice, experience, guidance and know-how.

D. Developer acknowledges reading this Agreement and Franchisor's Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonable and necessary to maintain Franchisor's high standards of service, quality and appearance, as well as the consistency of these standards by all franchises within the Network, in order to protect and preserve the goodwill of the Marks. Developer therefore agrees to operate its CREAM Businesses as an integral part of Franchisor's Network and System as they may be changed, approved and developed from time to time, and in this operation adhere to the uniform standards, procedures and policies set forth below.

E. Franchisor grants to developers, for considerations, the right to conduct CREAM Businesses utilizing the System, as part of the Network, offering custom frozen dessert, cookie, and ice cream sandwich products, services and related supplies approved by

Franchisor, and utilizing its formats, methods, specifications, standards, operating procedures, guidance and Marks.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Agreement

1. **Development Area.** Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish ________________ CREAM Businesses within the Development Area described in the data sheet attached hereto as Exhibit "A" (the "Data Sheet"), provided Developer opens and commences operations of the Businesses in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the "Development Schedule").

2. **Development Fee.** Developer agrees to pay Franchisor the development fee set forth in the Data Sheet (the "Development Fee") which shall be in an amount equal to $30,000 times the number of CREAM Businesses Developer is obligated to open under this Agreement. If Developer is opening five (5) or less CREAM Businesses, the full Development Fee shall be due and payable upon the execution of this Agreement. If Developer is opening six (6) or more CREAM Businesses, the Development Fee shall be paid as follows: (i) $150,000 for the first five (5) CREAM Businesses plus $15,000 times the number of CREAM Businesses that exceed five (5) which must be paid in a lump sum upon the execution of this Agreement; and (ii) the remaining $15,000 due for each CREAM Business must be paid upon the execution of the franchise agreement for such CREAM Business following the first five (5) CREAM Businesses opened under this Agreement. The parties agree and acknowledge that, upon payment of the Development Fee required by this Section: (i) **Developer will not be required to pay Franchisor an additional "Initial Franchise Fee" pursuant to any Franchise Agreement that Developer enters into to fulfill its development obligations under this Agreement within the Development Area**; and (ii) the Development Fee will be deemed fully earned by Franchisor and not refundable under any circumstances. If Developer is opening six (6) or more CREAM Businesses and Developer fails to comply with the Development Schedule and fails to remedy such default within the cure period provided in Section 6.2, the remainder of the Development Fee will become immediately due and payable.

3. **Initial Franchise Agreement**. Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the first CREAM Business that Developer is required to open within the Development Area. In the event Developer is a business entity of any kind, then Developer's principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.

4. **Additional Franchise Agreements.** Developer agrees and acknowledges that it must: (i) enter into Franchisor's then-current form of Franchise Agreement for each additional CREAM Business that Developer is required to open under this Agreement; and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the Development Schedule.

5. **Development Obligations.** Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the required number of new Businesses during each -month period from the Effective Date of this Agreement set forth in the Development Schedule described in the Data Sheet (each, a "Development Period"); and (ii) has the minimum cumulative number of Businesses open and operating at the expiration of each Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule is grounds for termination of this Agreement (and any future development rights granted hereunder), as set forth below.

6. **Term and Termination.**

6.1 This Agreement will commence as of the date it is fully-executed and, unless earlier terminated by Franchisor, will end on the last day of the calendar month that the final Business is required to be opened and operating under the Development Schedule (the "Development Term"). Upon expiration or termination of this Agreement for any reason, Developer will not have any rights within the Development Area other than the territorial rights granted in connection with any CREAM Businesses that Developer has opened and commenced operating as of the date this Agreement is terminated or expires (under the respective Franchise Agreement(s) that Developer entered into for such Franchised Business(es)).

6.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Development Area or otherwise abandons its development business for three consecutive months, or any shorter period that indicates an intent by Developer to discontinue development of the Businesses within the Development Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit or creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any one Development Period, and fails to cure such default within 30 days of receiving notice thereof; and (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

7. **Reservation of Rights.** Except as provided in Section 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

8. **Sale or Assignment.** Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's

prior written consent, which may be withheld in its sole discretion. However, in no circumstance will Developer be able to transfer this Agreement for the first two years of the term of this Agreement. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

9. **Acknowledgment**. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Marks or System.

10. **Notices**. All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

11. **Choice of Law.** This Agreement will be governed by the laws of the State of California (without reference to its conflict of laws principals).

12. **Internal Dispute Resolution.** Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's President and Chief Executive Officer, after providing Franchisor with notice of and a reasonable opportunity to cure and alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13. **Mediation**. At Franchisor's option, all claims or disputes between Franchisor and Developer or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and Developer or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section 12 above, must be submitted first to mediation, in or near Millbrae, California, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation

Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. This agreement to mediate will survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation.

14. **Injunctive Relief.** Nothing contained in this Agreement herein will prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation proceeding conducted hereunder.

15. **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation, the parties expressly agree to the jurisdiction and venue of any state court of general jurisdiction in San Mateo County, California and the jurisdiction and venue of the United States District Court for the Northern District of California. Developer acknowledges that this Agreement has been entered into in the State of California, and that Developer is to receive valuable and continuing services emanating from Franchisor's headquarters in Millbrae, California. In recognition of such services and their origin, Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts of California set forth above.

16. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Developer.

17. **Jury Trial Waiver.** With respect to any proceeding not subject to mediation, the parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party brings suit. This waiver will apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this Agreement, the performance of either party, and/or Developer's purchase from Franchisor of the development rights described herein.

18. **Waiver of Punitive Damages.** Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

19. **Attorneys' Fees.** If either party institutes any judicial or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to

Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

20. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

21. **Severability.** The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, which renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

22. **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

23. **Successors**. References to "Franchisor" or "Developer" include the respective parties' successors, assigns or transferees, subject to the limitations of Section 8 of this Agreement.

24. **Additional Documentation.** Developer must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer's attorney-in-fact to execute any and all documents on Developer's behalf, as reasonably necessary to effectuate the transactions contemplated herein.

25. **No Right to Offset.** Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of

its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

26. **State Law Applies.** If any provision of this Agreement, including but not limited to its provisions for transfer, renewal, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which Developer's initial CREAM Business is located, then the valid law or regulation of that state applicable to the franchised business will supersede any provision of this Agreement that is less favorable to Developer.

27. **Entire Agreement**. This Agreement contains the entire agreement between the parties concerning Developer's development rights within the Development Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications or manuals at Franchisor's discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

DEVELOPER

____
(Individual, Partnership or Corporation Name)

By: ____________________________

Title: __________________________

By: ____________________________

Title: __________________________

FRANCHISOR CREAM, INC.

By: ___________________________

Title: __________________________

OWNER ACKNOWLEDGMENT:

I, ______________________________, as a principal, owner, shareholder, member, manager, or partner of Developer, hereby acknowledge that I have read and understand the Development Agreement, and hereby consent and agree to be personally bound by the following provisions of this Development Agreement: (i) payment of the Development Fee, as set forth in Section 2 of the Development Agreement; and (ii) the dispute resolution provisions contained in Sections 12-15.

By:____________________________
Print name:______________________
Date Signed: ____________________

OWNER ACKNOWLEDGMENT:

I, ______________________________, as a principal, owner, shareholder, member, manager, or partner of Developer, hereby acknowledge that I have read and understand the Development Agreement, and hereby consent and agree to be personally bound by the following provisions of this Development Agreement: (i) payment of the Development Fee, as set forth in Section 2 of the Development Agreement; and (ii) the dispute resolution provisions contained in Sections 12-15.

By:____________________________
Print name:______________________
Date Signed: ____________________

EXHIBIT A to DEVELOPMENT AGREEMENT

DATA SHEET

1. **Development Area.** The Development Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas:

____

____

____

2. **Development Fee.** Immediately upon execution of this Agreement, Developer must pay Franchisor the Development Fee amounting to $______________, which will be deemed fully earned and non-refundable upon execution of the Development Agreement.

3. **Development Schedule.** The Development Schedule referred to in Section 1 of the Development Agreement is as follows:

Development Period	Expiration Date of Development Period	Number of New Businesses Developer Must Open in Development Area within Development Period	Cumulative Number of Businesses Developer Must Have Open Within Development Area by Expiration of Development Period
First	___Months from Effective Date	_	__
Second	___Months from Effective Date	_	__
Third	___Months from Effective Date	_	__
Fourth	___Months from Effective Date	_	__
Fifth	___Months from Effective Date	_	__
Sixth	___Months from Effective Date	_	__
Seventh	___Months from Effective Date	_	__
Eighth	___Months from Effective Date	_	__
Ninth	___Months from Effective Date	_	__
Tenth	___Months from Effective Date	_	__

APPROVED AND AGREED TO BY:

FRANCHISOR	**DEVELOPER**
CREAM, INC.	______________________________
By:______________________________	By:______________________________

EXHIBIT D

OPERATIONS MANUAL TABLE OF CONTENTS

CREAM Inc. OPERATIONS MANUAL

Version 4.3

03.15.18

Table of Contents

EXHIBIT E

LIST OF CURRENT FRANCHISEES AND FORMER FRANCHISEES

Current Franchisees as of December 31, 2019

CREAM Location	Store Address	City	State	Postal Code	Store Phone #	Owners
Alameda	2630 5th St., Suite A	Alameda	CA	94501	510-239-4803	Anshum Jain Hamid Barakzai Jay Mujadadi
Berkeley - ■	2399 Telegraph Ave.	Berkeley	CA	94704	510-649-1000	Jimmy Shamieh
Concord	2070 Salvio St.	Concord	CA	94520	925-332-7363	Mark Stites Mary Ann Stites
Cupertino	19501 Steven Creek Blvd, #102	Cupertino	CA	95014	408-343-1213	Prasad Konduru
Davis	110 F St.	Davis	CA	95616	530-750-1905	Tommy Tu
Fremont	43982 Pacific Commons Blvd.	Fremont	CA	94538	510-687-1583	Avez Kapadia
Fresno	1760 E Barstow Ave.	Fresno	CA	93710	559-400-6909	Muhammad Shaikh
Livermore	2375 Railroad Ave.	Livermore	CA	94550	925-292-1394	Amanjit Dhanoya
Great Mall	447 Great Mall Dr.	Milpitas	CA	95035	408-770-8789	Prasad Konduru
Napa	145 Gasser Dr., Suite C	Napa	CA	94559	707-294-2824	Amarjit (Adam) Sangha Manpreet (Money) Sangha Jaspreet (Jesse) Kalkut
Oakland - ■	6300 College Dr., #150	Oakland	CA	94618	510-601-1317	CREAM, Inc.
Palo Alto - ■	440 University Ave.	Palo Alto	CA	94301	650-321-2390	CREAM, Inc.

CREAM Location	Store Address	City	State	Postal Code	Store Phone #	Owners
Sacramento	1600 Ethan Way, Suite 60	Sacramento	CA	95825	916-568-9470	Amarjit (Adam) Sangha Manpreet (Money) Sangha Jaspreet (Jesse) Kalkut
San Francisco	3106 16th St.	San Francisco	CA	94103	415-400-4551	Wen Lai
San Francisco	3251 20th Ave.	San Francisco	CA	94132	415-682-9095	Alexis Garcia
San Jose	49 South 1st St.	San Jose	CA	95113	408-320-1519	Prasad Konduru
San Mateo	134 South B St.	San Mateo	CA	94401	650-344-2736	Fadi Shamieh
Vacaville	1670 E. Monte Vista Ave. Ste 103	Vacaville	CA	95688	916-804-3302	Amarjit (Adam) Sangha Manpreet (Money) Sangha Jaspreet (Jesse) Kalkut
Vallejo	746 Admiral Callaghan Lane	Vallejo	CA	94591	707-649-1500	Amritpal Dhillon
Walnut Creek	1372 North Main St.	Walnut Creek	CA	94596	925-891-4041	Mark Stites Mary Ann Stites
Belmar	7357 W Alaska Dr.	Lakewood	CO	80226	720-535-8698	Elaine Brown Kim Vanscriver
Boca Raton	20401 State Road 7 Ste. G-12	Boca Raton	FL	33498	561-910-1565	Bradley Cohen Seth Cohen
Doral	9733 NW 41st Street	Miami	FL	33178	954-205-7010	Bradley Cohen Seth Cohen

CREAM Location	Store Address	City	State	Postal Code	Store Phone #	Owners
Pembroke Pines	306 SW 145th Terrace, Suite 118	Pembroke Pines	FL	33027	954-399-9245	Armando Martinez Corina Stone Martinez Fernando Guillen Tibisay Pulido
West Palm Beach	801 Village Blvd, Ste 307	West Palm Beach	FL	33409	954-205-7010	Bradley Cohen Seth Cohen
Weston	4448 Weston Rd.	Weston	FL	33331	954-385-4937	Armando Martinez Corina Stone Martinez Fernando Guillen Tibisay Pulido

■ - *Denotes Company Owned*

Current Franchisees – Signed But Not Yet Opened

CREAM Location	Store Address	City	State	Postal Code	Contact Phone #	Owner(s)
8 outlets TBD-CA	TBD	TBD	CA	TBD	916-804-3302	Amarjit (Adam) Sangha Manpreet (Money) Sangha Jaspreet (Jesse) Kalkut
1 outlet TBD-Turlock area, CA	TBD	TBD	CA	TBD	209-637-9764	Amanjit Dhanoya
1 outlet TBD-CA	TBD	TBD	CA	TBD	817-965-4756	Prasad Konduru
13 outlets TBD- FL	TBD	TBD	FL	TBD	954-205-7010	Bradley Cohen Seth Cohen
15 outlets TBD- FL	TBD	TBD	FL	TBD	954-850-4966	Armando Martinez Corina Stone Martinez Fernando Guillen Tibisay Pulido

2019 FORMER FRANCHISEES AS OF DECEMBER 31, 2019

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

CALIFORNIA

Amarjit Sangha, Manpreet Sangha, and Jaspreet Kalkat
Cameron Park, CA
818-667-9044
Ceased Operations – Remains in System

Mark and Mary Ann Stites
Lafayette, CA
925-382-8541
Transferred Store – Remains in System

Hamid Barakzai, Anshum Jain, Jahid Mujadadi
Newark, CA
510-427-4848
Transferred Store – Remains in System

Linda and Michael Marceaux (2 outlets)
Orange, CA
714-553-1616
Terminated Agreement

Alexis Garcia
San Francisco, CA
650-305-9211
Transferred Store – Remains in System

David Zeichick and Mario Ramirez (2 outlets)
Location Unknown
818-667-9044
Ceased Operations

Mohammad Arman
Location Unknown
323-812-4333
Transferred Store

FLORIDA

Armando Martinez
Weston, FL
954-850-4966
Ceased Operations – Remains in System

NEVADA

Kristin Whittemore
Las Vegas, NV
775-225-3999
Ceased Operations

EXHIBIT F

LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS

STATE AGENCIES/AGENTS
FOR SERVICE OF PROCESS

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

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

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

CALIFORNIA

Commissioner of the Department
of Business Oversight:
Toll Free: 1 (866) 275-2677

Los Angeles

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

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street, Rm. 2034
San Diego, California 92101-3697
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94105-2980
(415) 972-8559

HAWAII

(for service of process)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

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

INDIANA

(for service of process)

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

(state agency)

Indiana Secretary of State
Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

(for service of process)

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(state agency)

Office of the Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

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

MINNESOTA

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

NEW YORK

(for service of process)

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

(Administrator)

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236 (Phone)

NORTH DAKOTA

(for service of process)

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-4712

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Oregon Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

RHODE ISLAND

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(for service of process)

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

(for other matters)

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

WASHINGTON

(for service of process)

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98501-9033
(360) 902-8760

WISCONSIN

(for service of process)

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

(state administrator)

Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-9555

EXHIBIT G

STATE-SPECIFIC ADDENDA

EXHIBIT G

STATE ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

The following modifications are to the CREAM, Inc. Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement and Development Agreement.

CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Franchise Disclosure Document.

2. No litigation is required to be disclosed in this Franchise Disclosure Document and no person or entity identified in Items 1 or 2 of this Franchise Disclosure Document is subject to a currently effective injunctive 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 any person from membership in that association or exchange.

3. California Business and Professions Code Section 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.

4. 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.).

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

6. The Franchise Agreement and Development Agreement require the parties to resolve their disputes through non-binding mediation and, if necessary, litigation. The mediation and litigation will occur in Millbrae, California, and you must reimburse us our costs is we prevail in any litigation proceeding.

7. Prospective franchisees are encourage 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.

8. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

10. 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

FRANCHISOR:	**FRANCHISEE:**
CREAM, INC.	______________________________
By:______________________________	By: ______________________________
Its:	Its:
Date:______________________________	Date: ______________________________

EXHIBIT H

STATEMENT OF FRANCHISEE

EXHIBIT H STATEMENT OF FRANCHISEE

To be Completed in Prospective Franchisee's Own Handwriting

As you know, CREAM, Inc.("we", "us", "our") and you are preparing to enter into a Franchise Agreement (referred to below as the "Franchise Agreement") for the operation of CREAM franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Franchise Agreement and all attached exhibits?

Yes______No ______

2. Do you understand all of the information contained in the Franchise Agreement and attached exhibits?

Yes______No ______

If No, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

____
____
____
____
____

3. Have you received and personally reviewed our disclosure document that was provided to you?

Yes______No ______

4. Did you sign a receipt for the disclosure document indicating the date you received it?

Yes______No ______

5. Do you understand all of the information contained in our disclosure document?

Yes______No ______

If No, what parts of the disclosure document do you not understand? (Attach additional pages, if necessary.)

____
____
____
____
____
____

6. Have you discussed the benefits and risks of operating a CREAM franchise with an attorney, accountant, or other professional advisor?

Yes______No ______

7. Do you understand that the success or failure of your CREAM franchise will depend in large part upon your skills and abilities, competition from other frozen food competitors, interest rates, inflation, labor costs and other economic and business factors?

Yes______ No ______

8. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a CREAM franchise that any of our franchisees operate?

Yes______No ______

9. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a CREAM franchise?

Yes______No ______

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a CREAM franchise will generate?

Yes______No ______

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating a CREAM franchise that is contrary to or different from, the information contained in the disclosure document?

Yes______No ______

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a CREAM franchise?

Yes______ No ______

13. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the disclosure document?

Yes______No ______

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

Yes______No ______

15. Have you paid any money to us before today?

Yes______No ______

If you answered "Yes" to any one of questions 8-15, 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 8-15, please leave the following lines blank.

____
____
____
____
____
____

Please understand that your responses to these questions are important to us and that we are relying on them in granting you a CREAM franchise. By signing this Statement of Franchisee, you are representing that you have responded truthfully to the above questions.

FRANCHISEE

By____

Print Your Name Here: ________________________________

Date:_________________________________, 20_____

EXHIBIT I

NON-TRADITIONAL VENUE AGREEMENT

NON-TRADITIONAL VENUE AGREEMENT
for
CREAM BUSINESS
at
____

This Non-Traditional Venue Agreement (the "Agreement") is executed as of **_________**, 20**__** (the "Effective Date"), by and between **CREAM, Inc.**, a California corporation ("CREAM") and **___________________** ("Operator"). CREAM and Operator are sometimes referred to collectively in this Agreement as the "Parties" and individually as a "Party."

RECITALS

A. CREAM owns rights to certain trademarks, service marks and logotypes, including the mark "CREAM," used to operate its custom frozen dessert, cookie, and ice cream sandwich shops and other retail locations ("CREAM Businesses"), including at non-traditional venue locations ("Non-Traditional Venues"). Together with any future marks developed by or for the use of CREAM based upon any variation of the name "CREAM," the above-referenced trademarks are collectively referred to herein as the "Trademarks."

B. CREAM has developed and adopted distinctive plans, processes and styles for building-out and operating CREAM Businesses, including signs, decor, products, methods of preparation, lines of associated products and, in general, a style, system and method of business operations with specific standards and procedures for CREAM Businesses (the "System").

C. CREAM and Operator desire Operator to operate one CREAM Business within the Non-Traditional Venue located at **____________________________** (the "Facility") utilizing the Trademarks and the System, and that certain products to be sold at the Facility shall be supplied by CREAM or suppliers approved by CREAM ("Designated Suppliers"), operated pursuant to a Non-Traditional Venue lease (the "Lease") granted by the authorities governing the Non-Traditional Venue (collectively, the "Landlord").

NOW, THEREFORE, in consideration of the promises herein the Parties agree as follows:

I
GRANT OF LICENSE

1.1 Grant of License. Subject to the terms of this Agreement, CREAM grants to Operator a license and right to use and publicly display the Trademarks and to utilize the System in connection with the operation of the Facility at the Non-Traditional Venue.

1.2 Exclusivity.

During the term of this Agreement or any renewal or extension thereof, CREAM shall not bid for, operate itself or through others, or otherwise license anyone other than Operator to develop or operate CREAM Businesses located within the Non-Traditional Venue identified above using the Trademarks. Operator's rights extend only to the Facility at the Non-Traditional Venue, and CREAM reserves all rights not granted to Operator hereunder.

II
FINANCIAL ARRANGEMENTS

2.1 Initial Fee. Upon the execution of this Agreement, Operator shall pay CREAM the sum of ___________________Thousand Dollars ($_________________) as the sole fee due to CREAM hereunder, except for the Royalty Fee discussed in Section 2.2, immediately below.

2.2 Royalty Fee. Operator shall pay CREAM a royalty fee (the "Royalty Fee") equal to ___ percent (__%) of Operator's Gross Sales. As used herein, the term "Gross Sales" includes the aggregate amount of all charges for custom frozen dessert, cookie, and ice cream sandwich products, services and supplies (defined in accordance with the accounting practices and procedures as specified by CREAM), and all other receipts of any kind of Operator derived directly or indirectly from the operation of the Facility, but excluding the amount of all sales, use, gross receipts and other taxes specifically added to sales prices and collected from customers.

2.3 Payment Date. The Royalty Fee shall be payable monthly no later than the fifteenth (15th) day of each month for the Gross Sales of the month immediately prior to the payment.

2.4 Manner of Payment. Royalty Fees shall be payable to CREAM by direct deposit into CREAM's designated bank account.

2.5 Reports. Operator must send CREAM a monthly report of Gross Sales for the Facility signed by a representative of Operator ("Gross Sales Report") concurrently with payment of the Royalty Fee. The Gross Sales Reports must set forth Operator's monthly Gross Sales generated during the previous month, Operator's calculation of the Royalty Fee, and any other information upon which the parties may mutually agree. Operator also shall provide CREAM a statement of the cost of goods sold for the preceding fiscal quarter within thirty (30) days after the end of each fiscal quarter during the term of this Agreement. CREAM may change the form and content of the Gross Sales Reports from time to time. Operator shall send CREAM an annual report of Gross Sales within one hundred twenty (120) days after the end of each calendar year and the date of expiration of this Agreement. Upon Operator's rendering its annual report, the Parties shall adjust between them the amount of any over or under payment.

2.6 Interest. In addition to all other remedies CREAM has, including, without limitation, the right to terminate this Agreement pursuant to Section 8.1.(c)(i), if Operator fails to pay any amounts Operator owes CREAM, including, without limitation, the Royalty Fee, whether such amounts are reflected as due on any Gross Sales Report Operator submits to CREAM or are subsequently determined by verification, examination or audit to have been due, those amounts will bear interest, accruing as of their original due date, at the rate of the lesser of eighteen percent (18%) per annum or the maximum rate permitted by law.

2.7 Examination of Books and Records. CREAM or its representatives may examine Operator's books and records during normal business hours to obtain or verify

Operator's Gross Sales. If CREAM's examination reveals that the reported Gross Sales are below the actual Gross Sales at the Facility, Operator shall pay the amount of the shortfall plus all interest due and, in the event the reported Gross Sales are more than five percent (5%) below the actual Gross Sales of the Facility, pay the commercially reasonable cost of CREAM's third-party audit, if any. In the event the third-party audit reveals Operator or its agents intentionally underreported Gross Sales, CREAM may terminate this Agreement immediately by providing written notice thereof to Operator.

III
OPERATIONS

3.1 Site Selection. Operator agrees to obtain CREAM's written acceptance of the Facility's proposed site within the Non-Traditional Venue before signing the Lease. CREAM's acceptance of a proposed site merely signifies that CREAM is willing to authorize Operator to open and operate a CREAM Business at that site pursuant to the terms of this Agreement, and does not constitute a warranty or representation of any kind, express or implied, as to the suitability or profitability of the proposed site for a CREAM Business or for any other purpose.

3.2 Design, Construction and Opening of the Facility.

(a) Operator shall use commercially reasonable efforts to obtain Landlord's approval of Operator's plans for the outfitting and the signage at the Facility. Such plans have been or shall be previously approved by CREAM;

(b) Operator shall outfit and place signage at the Facility according to the approved plans, modified as required by the Landlord, provided there is no material deviation from CREAM's trade dress. In case of any conflict, Operator may terminate this Agreement, if CREAM fails to approve Landlord's requirements; and

(c) Operator shall pay all costs of design and outfitting of the Facility incurred by Operator. Prior to commencement of operations at the Facility, Operator will obtain all necessary permits and licenses.

3.3 Manuals, Training and Quality Standards.

(a) Operator acknowledges that any manuals of CREAM regarding the System ("Manuals") that CREAM may provide to Operator belong to CREAM. Operator acknowledges that the Manuals may not be exclusively for use in connection with a CREAM Business operated at a Non-Traditional Venue and also contain specifications, standards, operating procedures, and rules for the operation of standard CREAM Businesses. Operator shall treat the Manuals, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain this information as secret and confidential. Upon termination of this Agreement, Operator shall return the Manuals to CREAM.

(b) Operator shall:

(i) ensure that, at Operator's expense, at least two (2) Operator personnel have completed the required pre-opening training to CREAM's satisfaction within sixty (60) days prior to the Facility opening at a location specified by CREAM;

(ii) operate the Facility in accordance with all health and sanitation laws and regulations and in a clean, safe and orderly manner in accordance with CREAM's System standards set out in the Manuals.

3.4 Inspection. CREAM may enter the Facility, without notice to Operator, at any time during normal business hours to examine the same and to determine if Operator is complying with its obligations under this Agreement; provided, however, CREAM shall provide Operator at least twenty-four (24) hours prior notice in the event that CREAM needs access to any area behind any security checkpoint. CREAM agrees that no inspections may occur on any holiday travel peak period where Operator's personnel must focus on customer speed of service.

3.5 Hours of Operation. Operator shall open and operate the Facility during the hours approved by the Landlord pursuant to the Lease.

3.6 Menu, Products and Pricing. The approved menu as approved by the Parties is attached or will hereafter be attached as Exhibit A. Except for those menu items listed in the menu attached as Exhibit A, Operator shall not carry any other menu items at the Facility without the prior written approval of CREAM. All prices for items sold at the Facility shall be set by Operator in its sole discretion.

3.7 Designated and Approved Suppliers.

(a) Recognizing that preservation of the System depends upon product and service uniformity, Operator agrees to purchase the equipment, fixtures, signs, inventory, and Designated Products from approved or designated third-party suppliers as CREAM shall specify, from time to time, in the Manuals or otherwise in writing. "Designated Products" means those custom frozen dessert, cookie and ice cream sandwich products and related supplies that meet CREAM's standards of quality and have been expressly approved by CREAM in writing for offer or sale by Operator. The parties may periodically add to, delete from, and otherwise modify the products that will comprise the Designated Products under this Agreement; provided, however, that CREAM may, in its sole discretion, periodically replace or delete from, and otherwise modify the ice cream and cookie flavors that comprise the Designated Products.

(b) In the event Operator wishes to purchase any unapproved item and/or acquire approved items from an unapproved supplier (other than the Designated Products, as discussed above), Operator must provide CREAM the name, address and telephone number of the proposed supplier, a description of the item Operator wishes to purchase, and the purchase price of the item, if known. CREAM will not unreasonably withhold, condition or delay its approval of a supplier that meets CREAM's standards. CREAM may revoke its approval of particular products or suppliers when CREAM determines, in its reasonable discretion, that such products or suppliers no longer meet CREAM's standards. Upon receipt of written notice of such revocation, Operator must cease purchasing products from such supplier for use at the Facility.

(c) Operator further acknowledges and agrees that CREAM and/or CREAM's affiliates have the right to derive revenue and a profit on any items that CREAM, CREAM's affiliates or CREAM's approved suppliers supply to Operator for the Facility.

IV
CREAM'S SERVICES

4.1 Training and Support.

(a) CREAM will provide Operator with a reasonable amount of promotional assistance and ongoing training of Operator's personnel in the handling of the System, service and standards, etc. At a minimum, CREAM will provide a sufficient amount of training to enable Operator and its employees to effectively execute the System. CREAM will also provide Operator with a reasonable level of consultation services regarding the design, décor, equipment and construction of the Facility, as well as the operational support via telephone or other means of communication prescribed by CREAM.

(b) More specifically, CREAM may provide reasonable ongoing advice and support to Operator so that Operator can operate the Facility with the highest standards in the industry commensurate with the opportunities presented, maximize Gross Sales, and promptly and courteously serve the patrons of the Facility at a high quality level. To assist Operator in the operation of the Facility, CREAM may provide additional training programs and/or refresher courses to Operator and/or Operator's supervisory employees consistent with the additional training programs and/or courses CREAM offers to other operators of CREAM Businesses ("CREAM Support"). Operator's participation in CREAM Support will be at Operator's option unless CREAM determines, in its sole discretion, that Operator's participation in such CREAM Support is required due to material operational deficiencies in the operation of the Facility as reasonably determined by CREAM, in which case Operator's supervisory employees designated by CREAM shall attend such additional CREAM Support as necessary to correct the deficiencies. CREAM Support may be conducted by a qualified individual(s) possessing an in-depth knowledge of the System. Any CREAM Support provided to Operator at another CREAM Business or training site shall be at CREAM's then-current tuition rate for such training. If the parties mutually agree that based on the nature of the material operational deficiency CREAM Support should be conducted at the Facility, Operator shall reimburse CREAM for the reasonable costs of its personnel in providing such CREAM Support, including tuition, travel and living expenses.

4.2 System. CREAM shall provide Operator with a copy of its operating procedures including, as applicable, CREAM's product and service standards, which constitute the System developed and utilized by CREAM for its retail operations. CREAM may modify and supplement the System from time to time and, except as otherwise provided herein, Operator shall adopt such changes upon written notice thereof.

4.3 Marketing. CREAM may offer to Operator from time to time, at CREAM's prices and terms, advertising and marketing materials for use in advertising and marketing the Facility. Operator also may request to purchase advertising and marketing materials for the Facility from CREAM, which CREAM may sell to Operator in its sole discretion at CREAM's prices and terms.

V
TRADEMARKS; INTELLECTUAL PROPERTY

5.1 Ownership of Trademarks and System. CREAM represents and warrants that CREAM is the sole owner of the Trademarks and System. Operator has no right, title or interest in or to any of the Trademarks or the System, except for Operator's privilege and license to display and use the Trademarks and to operate the Facility under the System as described in this Agreement.

5.2 Use of Trademarks.

(a) Operator shall install signs at the Facility containing the Trademarks as approved by CREAM, subject to the further approval of the Landlord. Operator shall not display signs containing any of the Trademarks in any place to which CREAM reasonably objects.

(b) Upon the expiration or termination of this Agreement for any reason whatsoever, Operator, at CREAM's request, shall surrender up to CREAM at the Facility each and all of the Trademarks and any physical objects bearing or containing any of the Trademarks; provided that CREAM shall remove such objects from the Non-Traditional Venue so as not to result in a default or holding over by Operator under the Lease for such Facility. If CREAM does not request the surrender of the Trademarks, Operator shall obliterate or destroy any signs, advertising, marketing and promotional materials, forms, and other materials containing the Trademarks at or about the Facility. Operator shall also paint over or otherwise significantly alter any unique features of the trade dress of the Facility which identifies the Facility as a CREAM Business.

(c) Operator's use of the Trademarks shall inure to the benefit of CREAM. Operator shall refrain from objecting to or jeopardizing the validity of CREAM's rights in the Trademarks. Operator shall cooperate fully with CREAM's applications for trademark registrations and enforcement actions by CREAM against third parties. Operator shall notify CREAM of any claims of third parties of infringement by the Trademarks. CREAM shall have the exclusive control of the defense and settlement of any such claims.

(d) Operator acknowledges that CREAM and its affiliates claim ownership rights in the Trademarks and that Operator's right to use the Trademarks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable standards, specifications and operating procedures that CREAM may reasonably require, consistent with the terms of this Agreement. Any unauthorized use of the Trademarks by Operator will constitute a breach of this Agreement and an infringement of CREAM's rights in the Trademarks. Operator agrees that Operator's usage of the Trademarks and any goodwill established by that use will be for CREAM's exclusive benefit. This Agreement does not confer any goodwill or other interests in the Trademarks upon Operator, other than the right to operate a CREAM Business in compliance with this Agreement. All provisions of this Agreement applicable to the Trademarks will apply to any additional proprietary trade and service marks and commercial symbols CREAM or its affiliates may authorize for Operator's use in the future.

(e) Operator shall use the Trademarks as the sole identification of the Facility. However, Operator will identify itself as the independent owner/operator of the Facility in the manner CREAM may reasonably require consistent with Landlord's requirements. Operator will not use any Trademark as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to Operator under this Agreement), or in any modified form, nor may Operator use any Trademark in connection with the performance or sale of any unauthorized services or products or in any other manner not expressly authorized in writing by CREAM. Operator shall display the Trademarks prominently at the Facility, on supplies or materials designated by CREAM and in connection with packaging materials, forms, labels and advertising and marketing materials. All Trademarks will be displayed in the manner CREAM reasonably requires, consistent with Landlord's requirements. Operator shall use the registration symbol "®" in connection with Operator's use of the Trademarks that are registered.

5.3 Assumed Name Registration. Upon the expiration or termination of this Agreement for any reason whatsoever, Operator shall execute and file such documents as may be necessary to revoke or terminate any governmental assumed name registration that were originally made by Operator, if any, to conduct business under the name "CREAM." If Operator fails to promptly execute and file such documents, Operator hereby irrevocably appoints CREAM as Operator's attorney-in-fact to do so for and on behalf of Operator.

5.4 Confidentiality. Operator shall maintain the confidentiality of all business, technology, marketing, operational, and proprietary information provided to Operator by CREAM, such as the Manuals, operating procedures, training and service policies ("Confidential Information"). The term "Confidential Information" shall not include any information which (i) is not unique to CREAM and is known to Operator prior to the Effective Date, (ii) is or becomes generally known in the food and beverage industry other than through disclosure of Confidential Information by Operator, (iii) is disclosed to Operator by a third party lawfully in possession thereof and without restriction on disclosure, (iv) is independently developed by Operator without breach of this Agreement; or (v) is required to be disclosed by law or regulation or by proper order of a court of applicable jurisdiction.

VI
INDEMNITY AND INSURANCE

6.1 Indemnity. Operator shall indemnify, defend and hold harmless CREAM and its officers, directors, employees, agents, successors and assigns from and against any and all claims, losses, liability, costs or expenses including reasonable attorneys' fees and expenses arising out of the breach of this Agreement.

6.2 Liability Insurance. Operator shall maintain general public liability insurance, including contractual liability, personal injury, completed operations and products liability and products property damage insurance with limits of not less than Two Million Dollars ($2,000,000) for personal injury, disease or death to any persons arising out of an occurrence and Five Hundred Thousand Dollars ($500,000) for property damage arising out of an occurrence. CREAM shall be named as an additional insured as its interest may appear and to the extent of the indemnification provided in the foregoing Section of this Agreement, and all insurance policies must provide for thirty (30) days' prior written notice to CREAM of a policy's material modification or cancellation. Operator agrees periodically to send CREAM a valid certificate of insurance or duplicate insurance policy evidencing that Operator has maintained the required coverage and paid the applicable premiums. Additionally, Operator shall at all times be in compliance with all applicable federal, state and local laws and regulations, and shall adhere to all security requirements imposed by the Non-Traditional Venue authorities.

VII
TERM

7.1 Initial Term. This Agreement shall commence on the Effective Date and will be coterminous with the initial term of the Lease for the Facility unless earlier terminated as provided herein. Upon termination of Operator's lease rights to operate the Facility (without renewal or extension of such lease rights) this Agreement shall terminate automatically.

7.2 Extension Options. Operator may extend the term of this Agreement by giving written notice to CREAM no later than ninety (90) days prior to the expiration of the then current term for successive renewals or extensions of the Lease so long as Operator is not then in default. CREAM may require as a condition of any extension that Operator execute a new license agreement, which may provide for higher or different payments than hereunder.

VIII
TERMINATION

8.1 Default. If any one or more of the following events shall occur, CREAM shall have the right to all remedies, legal or equitable in nature, including the right to terminate this Agreement:

(a) Operator shall become insolvent, or shall take the benefit of any present or future insolvency statute, or shall make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or any state thereof, or shall consent to the appointment of a receiver, trustee or liquidator of all or substantially all of its property;

(b) A petition under any part of the federal bankruptcy laws, or an action under any present or future insolvency laws or statute, shall be filed against Operator and shall not be dismissed within thirty (30) days after the filing thereof; or

(c) Operator shall fail to keep, perform and observe any material promise, covenant and agreement set forth in this Agreement on its part to be kept, performed or observed, and such failure shall continue for a period of more than:

(i) ten (10) days after receipt of written notice of a payment default; or

(ii) thirty (30) days, connected to any other default, after receipt of written notice of such default, except where curing such failure to perform requires activity over a period in excess of thirty (30) days and Operator commences in good faith to perform whatever may be required for fulfillment of its obligations within such thirty (30)-day period and continues such performance without interruption except for causes beyond its control.

8.2 Operator's Option.

Operator shall have the right to relocate or close, temporarily or permanently, the Facility as follows:

(i) Operator may relocate the Facility to another site within the Non-Traditional Venue when required by or directed by the Landlord pursuant to the Lease;

(ii) in conjunction with a refurbishment and reconcepting plan; or

(iii) in conjunction with the renegotiation or extension/renewal of the Lease, or other lease or concession agreements granted by the Landlord or its agents.

8.3 CREAM's Option.

Upon termination or expiration of this Agreement, CREAM shall have the following options, exercisable by written notice to Operator at any time within thirty (30) days from the date of termination or expiration hereof to: (i) require Operator assign to CREAM the leasehold interest of the Facility (or, if assignment is prohibited, a sublease for the full remaining term and on the same terms as Operator's lease) in consideration of CREAM's assumption of the leasing obligations thereunder; (ii) purchase from Operator all equipment, furnishings, fixtures and other physical assets owned by Operator and used in the operation of the Facility for the same price paid by Operator less depreciation taken (i.e. book value) as of the date of CREAM's written notice; and (iii) purchase from Operator all inventory of the Facility at Operator's cost. The purchase price for any purchased items shall not include any payment for goodwill or other intangibles, and shall be payable at the closing of the purchase. For purposes of this Section 8.3, "book value" means the amount Operator actually paid for the personal property less depreciation (calculated by using the straight-line depreciation method on a five (5) year depreciation schedule, irrespective of the depreciation method or schedule Operator uses for accounting purposes). Notwithstanding the foregoing, to the extent that CREAM exercises its right to purchase any personal property that is subject to a lease or finance agreement, the purchase price of such personal property shall equal the amount paid by Operator to date under the lease or finance agreement, as applicable. The closing shall take place at a time designed by CREAM within ninety (90) calendar days after Operator receives CREAM's notice of exercise of its purchase option or options. If CREAM exercises CREAM's option to purchase, pending the closing of such purchase, CREAM has the right to appoint a manager to maintain operation of the Facility. CREAM will be entitled to all customary warranties and representations in connection with CREAM's purchase of Operator's property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise. CREAM may exclude from the personal property purchased hereunder cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Facility's operation or that CREAM has not approved as meeting standards for the Facility.

8.4 Operator's Duties on Termination or Expiration.

In the event of termination or expiration of this Agreement, Operator must, at Operator's cost and expense: (1) cease immediately all operations under this Agreement; (2) pay CREAM immediately all unpaid fees and pay CREAM, CREAM's affiliates, and CREAM's designated suppliers and vendors all other monies owed; (3) discontinue immediately the use of the Trademarks, including all signs bearing the Trademarks; (4) immediately return the Manuals to CREAM, along with all other manuals and Confidential Information CREAM loaned to Operator, and immediately and permanently cease use of any Confidential Information; (5) promptly surrender all stationery, printed matter, signs, advertising materials and other items containing the Trademarks, and all items which are a part of the trade dress of the System, as CREAM directs; (6) cease to hold itself out as CREAM's Operator; (7) take such action as shall be necessary to amend or cancel any assumed name, Facility name or equivalent registration which contains any trade name or other Trademark CREAM licensed to Operator, and furnish CREAM evidence satisfactory to CREAM of compliance with this obligation within thirty (30) calendar days after the termination, expiration or transfer of this Agreement; (8) permit CREAM to make final inspection of Operator's financial records, books, and other accounting records at any time within six (6) months of the effective date of termination, expiration, or transfer; (9) comply with the post-termination covenants set forth in Article X hereof, all of which shall survive the transfer, termination or expiration of this Agreement; (10) cease to use in advertising or in any other manner, any methods, procedures or techniques associated with CREAM or the System; and (11) execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section 8.4.

IX
ASSIGNMENT

9.1 Assignment by CREAM. CREAM may assign this Agreement to any other person, firm or entity.

9.2 Assignment by Operator. Operator may not assign, transfer or sell its interest in this Agreement (voluntarily or by operation of law) without the prior written consent of CREAM. Sale of a controlling interest in Operator, if Operator is a business entity, should be deemed a transfer of this Agreement.

X
COVENANTS AGAINST COMPETITION

Operator acknowledges that as a member of the System, Operator will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which CREAM has developed. Therefore to protect CREAM and all CREAM's operators, Operator agrees as follows:

(a) During the term of this Agreement, neither Operator, Operator's officers, directors, principals, or manager, nor any member of the immediate family of Operator or Operator's officers, directors, principals, or manager may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in ice cream or frozen dessert shop, bakery, café, or dessert shop primarily serving ice cream, frozen yogurt, cookies and other baked goods, or any other business offering products and services offered or authorized for sale by the System (a "Competing Business"); provided, however, that this Section does not apply to Operator's operation of any other CREAM Business; and

(b) For a period of two (2) years after the expiration, nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Operator, Operator's officers, directors, or principals, nor any member of the immediate family of Operator or Operator's officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any Competing Business located at the Non-Traditional Venue.

XI
NOTICES

11.1 Notices. All notices shall be in writing and shall be deemed to have been given when (i) sent by nationally recognized courier (with proof of delivery), or (ii) when received by the addressee if sent by registered or certified mail, with official return receipt, in each case to the appropriate addresses set forth below (or to such other addresses either Party may from time to time designate by formal notice).

Notices to **CREAM** shall be sent to:	Notices to **Operator** shall be sent to:
CREAM, Inc.	______________________________
1799 El Camino Real	______________________________
Millbrae, California 94030	______________________________
Attn: Jimmy Shamieh	______________________________
Tel.: (415) 724-1300	Attn: _________________________
Fax:	Tel.: _________________________
	Fax: _________________________

XII
MISCELLANEOUS

12.1 Independent Contractor. Operator and CREAM are independent contractors and are not agents, partners, joint venturers or employers of the other, and no fiduciary relationship between them exists. No officer or employee of Operator or CREAM shall be deemed to be an employee of the other. Nothing contained in this Agreement shall be construed so as to create a partnership, joint venture or agency, except as may be expressly provided in this Agreement; and neither Party to this Agreement shall be liable for the debts or obligations of the other. CREAM shall not have the power to hire or fire or in any way control Operator's employees, may not control or have access to Operator's funds or the expenditures of these funds, or in any other way exercise control over Operator's business, other than requiring compliance with this Agreement, as applicable. All employees working at the Facility are the sole and exclusive employees of Operator's and not CREAM.

12.2 Costs and Attorneys' Fees. If this Agreement, the terms of this Agreement and/or the rights, duties and obligations accruing to the Parties under this Agreement shall become the subject of any arbitration or litigation, the prevailing Party in such proceeding shall be entitled to recover from the other Party all reasonable costs, expenses and attorneys' fees.

12.3 Exhibits. The Exhibits and Schedules to this Agreement are hereby incorporated into and made a part of this Agreement for all purposes.

12.4 Governing Law. This Agreement shall be governed by and construed under the laws of the State of California.

12.5 Dispute Resolution. Operator must first bring any claim or dispute between Operator and CREAM to CREAM's President and/or Chief Executive Officer, after providing notice as set forth in Article XI. Operator must exhaust this internal dispute resolution procedure before Operator may bring Operator's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

The parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in San Mateo County, California and the jurisdiction and venue of the United States District Court for the Northern District of California. Operator acknowledges that this

Agreement has been entered into in the State of California, and that Operator is to receive valuable and continuing services emanating from CREAM's headquarters in Millbrae, California. In recognition of such services and their origin, Operator hereby irrevocably consents to the personal jurisdiction of the state and federal courts of California set forth above. Nothing contained in this Agreement shall prevent CREAM from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect CREAM's interests.

12.6 Waiver. The failure of either Party to insist upon a strict performance of any of the terms or provisions of this Agreement, or a Party's failure or refusal to exercise any option, right or remedy contained herein, shall not be construed as a waiver or relinquishment for the future of such term, provision, option, right or remedy, but the same shall continue and remain in full force and effect. No waiver of any term or provision hereof shall be deemed to have been made unless expressed in writing and signed by the waiving Party. No delay or omission to exercise any right or remedy shall be construed as a waiver of any such right or remedy.

12.7 Authority. Each individual executing this Agreement on behalf of their respective corporation, partnership or other entity is duly authorized to execute and deliver this Agreement on behalf of said corporation, partnership or other entity, and this Agreement is binding upon said corporation, partnership or other entity in accordance with its terms.

12.8 Severability. If any portion of this Agreement shall be declared invalid by any order, decree or judgment of a court having jurisdiction over the Parties and/or the subject matter of this Agreement, this Agreement shall be construed as if such portion had not been inserted herein except when such construction would operate as an undue hardship on either Party or constitute a substantial deviation from the general intent and purpose of said Parties as reflected in this Agreement.

12.9 Amendment. This Agreement may only be amended or modified by a written agreement signed by both Parties.

12.10 Authorship. The terms of this Agreement have been fairly bargained for after careful consideration by the Parties; therefore, this Agreement shall be enforced, interpreted and construed without regard to its authorship, and no inference shall be drawn by the Parties or any third party including any court, by virtue of its authorship.

12.11 Certain Rules of Construction. Time is of the essence of this Agreement. Notwithstanding the fact that certain references elsewhere in this Agreement to acts required to be performed by a named Party omit to state that such acts shall be performed at such Party's sole cost and expense, each and every act to be performed or obligation to be fulfilled by each Party pursuant to this Agreement shall be performed or fulfilled at such Party's sole cost and expense unless expressly stated to the contrary in this Agreement. The captions in this Agreement are for convenience of reference only and shall not be given any effect in the interpretation of this Agreement. The obligations, covenants, conditions and restrictions of this Agreement shall inure to the benefit of and be binding upon and enforceable against the Parties and to their respective successors and assigns. In this Agreement each of the neuter, feminine or masculine gender(s) includes the other or others, and the singular number includes the plural, wherever the context so requires. The word “including” as used in this Agreement shall not be used in an exclusive sense and instead shall have the meaning of “including without limitation.”

12.12 No Third-Party Rights. This Agreement is intended for the exclusive benefit of the Parties hereto and their respective successors and permitted assigns. Nothing contained in this Agreement shall be construed as granting any rights or benefits in or to any third party, and no person shall assert any rights as third party beneficiary hereunder.

12.13 Specific Performance. Nothing contained in this Agreement shall be construed as or shall have the effect of abridging the right of either Party to obtain specific performance of any or all of the covenants or obligations of the other Party under this Agreement.

12.14 Entire Agreement. This Agreement, including the Exhibits and Schedules, sets forth the entire agreement between the Parties, and there are no other agreements between the Parties with respect to the terms of this Agreement, written or otherwise, except as set forth herein.

12.15 Force Majeure. The failure of a Party hereof to comply with the terms and conditions hereof because of an act of God, labor strike, war, fire, earthquake, act of public enemies, action of federal, state or local governmental authorities, or for any other reason beyond the reasonable control of such Party, shall not be deemed a breach of this Agreement provided that the performing Party restrained from performing by such force majeure condition notifies the other Party of the existence and nature of such force majeure after the first occurrence of the same.

12.16 Counterparts. This Agreement may be executed in two (2) or more counterparts, by original signature, facsimile or portable document format (PDF) transmission, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by duly authorized officers or representatives as of the date first above written.

OPERATOR:	**CREAM, Inc.**
______________________________	
By: ______________________________	By: ______________________________
Name:______________________________	Name:______________________________
Title:______________________________	Title:______________________________

<u>EXHIBIT A</u>

MENU

GUARANTEE AND ASSUMPTION OF OBLIGATIONS

To induce CREAM, Inc. to enter into that certain Non-Traditional Venue Agreement with ________________ ("Operator") dated _______________________ (the "Non-Traditional Venue Agreement"), the undersigned agree, jointly and severally hereby unconditionally guarantee the obligations of Operator under the Non-Traditional Venue Agreement and agree to be bound by all of the provisions of the Non-Traditional Venue Agreement including, without limitation, the provisions of Sections 5.4 (Confidentiality), 12.4 (Governing Law) and 12.5 (Dispute Resolution).

IN WITNESS WHEREOF, the undersigned have caused this Guarantee and Assumption of Obligations to be executed as of the _____ day of ______________, 20__.

Guarantors:

____

____

____

State Effective Dates

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

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

State	Effective Date
California	Pending

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

EXHIBIT J

RECEIPTS

EXHIBIT J RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If CREAM, Inc. offers you a franchise, CREAM, Inc. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, CREAM, Inc. or an affiliate in connection with the proposed franchise sale.

[New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.]

If CREAM, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on **Exhibit F**.

The name, principal business address and telephone number of each franchise seller offering the franchise are: Wafa Shamieh, Gus Shamieh, Tagreed Shamieh, Jimmy Shamieh, Catherine Uhlinger, Shayla Moore 1799 El Camino Real, Millbrae, California 94030, (650) 754-6640.

Issuance Date: June 15, 2020.

See **Exhibit F** for our registered agents authorized to receive service of process. Our authorized agent for service of process in California is Jimmy Shamieh, 1799 El Camino Real, Millbrae, CA 94030.

I have received a disclosure document dated June 15, 2020, that included the following Exhibits:

Exhibit A:	Financial Statements
Exhibit B:	Franchise Agreement
Exhibit C:	Development Agreement
Exhibit D:	Operations Manual Table of Contents
Exhibit E:	List of Current Franchisees and Former Franchisees
Exhibit F:	List of State Agencies and Agents for Service of Process
Exhibit G:	State-Specific Addenda
Exhibit H:	Statement of Franchisee
Exhibit I:	Non-Traditional Venue Agreement
Exhibit J:	Receipts

Date	Prospective Franchisee Signature	Printed Name
Date	Prospective Franchisee Signature	Printed Name

EXHIBIT J RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If CREAM, Inc. offers you a franchise, CREAM, Inc. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, CREAM, Inc. or an affiliate in connection with the proposed franchise sale.

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Exhibit J:	Receipts

Date	Prospective Franchisee Signature	Printed Name
Date	Prospective Franchisee Signature	Printed Name

Please sign this copy of the receipt, date your signature, and return it to us.